July 23 1990

EUROPE'S BUSINESS NEWSPAPER

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Tuesday July 24 1990

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EASTER ISLAND
Carving out a place on the world map
Page 4

World News

Doe's troops flee as rebels burst into Monrovia

Liberian rebel forces burst into the centre of Monrovia yesterday, wading through a swamp to avoid government troops guarding two key bridges.

The rebels battled street-by-street with President Samuel Doe's forces, many of whom were seen dropping their weapons and fleeing for their lives in the face of a surprise attack that outflanked last ditch defences along the Mesurado river.

S Korean MPs quit

All 80 opposition members of South Korea's national assembly resigned to support their call for fresh general elections and protest against the rushed passage of controversial legislation. Page 3

Indian clampdown

Indian authorities struck a blow against Sikh militants by closing down more than 100 finance companies in Punjab state allegedly funded by protection rackets, kidnappings and robberies. Page 3

Thatcher reshuffles

British Prime Minister Margaret Thatcher completed her sixth ministerial reshuffle in a year, leaving the government's political balance broadly unchanged but moving to foster greater unity among rank-and-file MPs. Page 8

Bid to avert collapse

Chancellor Helmut Kohl is to meet Lothar de Maizière, East Germany's Prime Minister, to discuss a row over pan-German elections which has brought the East German coalition to the brink of collapse. Page 2

Talks on Cambodia

Cambodia's three opposition groups invited the Vietnam-backed Phnom Penh government of Hun Sen to meet in Paris next week to try to agree on joint participation in peace talks. Page 3

Ford clash in Brazil

Ford's car plant in Brazil is under police protection after a weekend of violence in which 3,000 striking workers set fire to 25 cars and smashed windows and equipment. Page 6

Iraqi offensive

Iraq launched a bitter attack against Kuwait's foreign minister, accusing him of maliciously implementing US policy in the Gulf and blaming him alone for a bitter row which erupted between the two states a week ago. Page 3

Japan climb down

Japan's Foreign Minister Taro Nakayama said he did not intend to slander the Soviet Union when he remarked last week that financial aid to that country would be useless and like "throwing money into the ditch."

EC industry boost

The European Community earmarked $840m to boost industry in less-developed and declining regions of the 12-nation group. About two-thirds of the money will be spent in Spain.

Argentine strike

Argentina's most powerful trades union looks set to start an all-out general strike before the end of the month, following the breakdown once more of wage talks. Page 4

Minister takes blame

Taiwan's foreign minister, taking full responsibility for Saudi Arabia breaking off diplomatic ties with Taipei in favour of China, tendered his resignation.

Face up to success

A West Berliner specialising in rubbing his eyes with his chin and swallowing his nose has won the world grimacing competition, staged in Moncrebeau, France.

Business Summary

NatWest US banking arm announces $106m loss

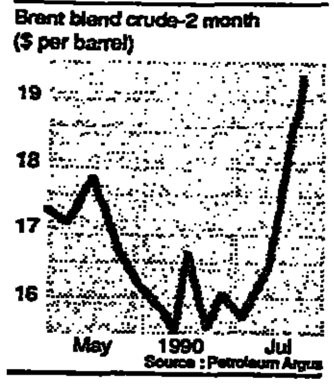
NATIONAL Westminster Bancorp, US banking arm of the British clearer, announced a second quarter net loss of $106.3m which it blamed on the weakness of the property market in the north-east of the country and difficulties hitting some of its commercial customers.

NatWest Bancorp's operations are concentrated in the states of New Jersey and New York, where other banks have also been hit hard by a difficult regional economy and a severe real estate recession. Page 25; Lex, Page 24

OIL PRICES rose sharply again as tension continued at a high level in the Gulf, where Iraq accused the Kuwaiti foreign minister of being a US agent. Brent crude oil for September delivery rose by 52½ cents to close at $19.27½ in European trading.

Oil price

Brent blend crude-2 month ($ per barrel)



Source: Petroleum Argus

NESTLE of Switzerland and General Mills of the US stepped up their challenge to Kellogg, world leader in breakfast cereals, by paying £93m ($169m) for the ready-to-eat cereals interests of Ranks Hovis McDougall, UK foods group. Page 25

BRITAIN'S current account deficit widened to £1.35bn ($2.45bn) last month from £1.32bn ($2.40bn) in May as exports dropped slightly against a background of a continuing high level of imports. Page 24

FRANCE is to fund a FFr3bn ($544m) five-year development programme for high definition television (HDTV) to be carried out by Thomson, the state-controlled defence and electronics group. Page 25

ELDERS Resources NZFP, Australian minerals and forestry group, was forced to raise its bid for Oakbridge, a major Australian coal producer, after a counter-bid by a consortium of Australian and Japanese companies. Page 28

PAPUA New Guinea announced firm support for the development of the country's first commercial oilfields, in the Southern Highlands of western PNG, in spite of local opposition. Page 34

TIME Warner, the world's leading media and entertainment company, announced an overall second quarter net loss of $51m, or $3.29 per share, on revenues of $2.58bn. Page 27

SIEMENS, West German electrical and electronics group, has, unusually, saw its net profit rise faster than sales in the first nine months of 1990. Net profit rose 5 per cent to DM1.136bn and sales rose 3 per cent to DM45.3bn. Page 26

ANGLO Group, minority shareholders are being offered shares in RHM, the food group, in exchange for their Anglo shares. Anglo said the offer does not change its intentions towards RHM, in which it indirectly holds a 29.3 per cent stake. Page 8

BLUE Circle, largest cement manufacturer in the UK, has agreed to pay L80bn ($66.4m) for Ceramica Dolomite, a privately owned Italian sanitary ware company. Page 25

Poor US earnings shatter confidence on Wall Street

By Janet Bush in New York and Our Markets Staff

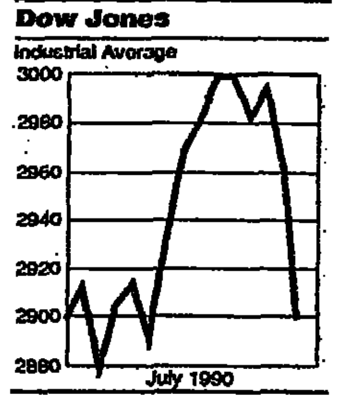
THE US stock market plunged yesterday as investor confidence buckled under a deluge of weak corporate earnings reports.

The Dow Jones Industrial Average of blue chip stocks started dropping in heavy trading as the market opened, falling 106 points at its worst level before stabilising and then recovering to close 56.44 points lower at 2,904.70.

Although blue chips rebounded, the rest of the market closed sharply lower. The more representative Standard & Poor's index of 500 stocks closed 8.31 points lower at 355.30, around its trough for the day.

Dow Jones

Industrial Average



European markets immediately felt the repercussions of Wall Street's fall, with Frankfurt and Paris closing lower. The setback jolted the London stockmarket and the FT-SE index closed 40.4 points down at 2,359.7. But strategists argued that London was less vulnerable than the New York market to a further setback.

The selling on Wall Street was widespread and affected most industrial sectors.

Most of yesterday's action happened during the New York morning session with selling exacerbated by computerised trading despite a request from the New York Stock Exchange for firms to hold back from executing these trades. Circuit-breakers went into effect in the futures markets which appeared to help stabilise prices which were in free fall at one point.

Dealers identified disappointing results from McDonalds, the fast food chain, as the trigger for yesterday's decline. This was the last straw for a market which has absorbed a lot of worrying news including a rash of disappointing earnings reports.

"It was like removing a brick from the bottom of the pile," said Mr Laszlo Birinyi of equity analysts Birinyi Associates. "It is only one brick but, when a company like McDonalds, which is a steady earner, disappoints you have to wonder what is happening."

The Dow Jones rally to nearly 3,000 last week masked weakness in the rest of the market.

It was particularly sensitive to poor earnings because of concerns about the economy after the US Federal Reserve reversed its opposition to lower interest rates and eased monetary policy a week ago.

The markets worried that either the Fed had bowed to political pressures and sacrificed its fight against inflation or that Mr Alan Greenspan, Fed chairman, was genuinely concerned that the economy is near to recession.

Another factor in yesterday's selling was the news that the largest guarantor of student loans in the US was near to financial collapse, prompting fears that banks could become more wary about their lending practices.

Bond markets rallied strongly as investors deserted equities for fixed interest. US Treasury bonds, depressed at the opening because of inflation worries and concerns about rising interest rates in Japan, bounced strongly on a flight to quality as the stock market plunged. However, by the close, bonds had weakened again, leaving the long bond down ¼ point.

Other bond markets also benefited, with UK gilts up about half a point and German bonds also stronger.

The dollar was an immediate casualty of Wall Street's decline, ending European dealings sharply lower against most major currencies. It finished at a 2½ year low against the DM in London. In New York, it closed at DM1.6220 from an earlier high of DM1.6390 and at Y148.12 from Y148.95 at the opening.

UK current account deficit, Page 10; Lex, Page 24; Markets, Section II

Alan Harper

UK Energy Secretary John Wakeham: "a firm interest."

Hanson may bid for UK power generating group

By David Thomas, Resources Editor, in London

THE BRITISH Government will decide soon whether to sell PowerGen, one of the two UK generating companies heading for privatisation, by a competitive tender. Hanson, the UK industrial conglomerate, has emerged as the leading bidder.

Mr John Wakeham, Energy Secretary, confirmed to Parliament yesterday that Hanson had "expressed a firm and serious interest in making an offer for PowerGen."

Mr Wakeham made an emergency statement after reports at the weekend about Hanson's surprise interest. The City of London has been working on the assumption that PowerGen would be floated along with National Power, its larger counterpart, in February. PowerGen has been expected to raise over £1bn ($1.8bn).

The Government is to intensify discussions with Hanson about its interest in PowerGen. But it will continue in parallel preparing for a flotation of the company in February until Hanson decides whether to make a binding offer. It is expected that Hanson will make this decision within the next few weeks.

Mr Wakeham stressed that a Hanson bid would trigger an auction in which other companies would be invited to bid. He said it would be open for foreign companies, including those based in the US and Japan, to bid, although he added that he would not necessarily decide between them on price alone.

He defended the idea of an auction by saying that it could raise more proceeds than a flotation and would cost less to accomplish.

Mr Wakeham stressed that a single purchaser would have to abide by certain conditions. "All of PowerGen's contractual rights and obligations would continue."

He said there would be legally binding restrictions on a purchaser's ability to dispose of all or a substantial part of PowerGen's business. These conditions will be seen as an attempt to meet anxieties about Hanson's reputation for breaking up companies.

Mr Wakeham stressed that he would consider an approach by a single purchaser for National Power on its merits, although no such approach has yet been made.

The City reacted with bemusement to the news of Hanson's interest. Some analysts suggested that it might be a tactic by the Government to put pressure on both companies to settle complex negotiations with the Government about the terms on which they would be floated.

Schroders has been appointed to act with Kleinwort Benson as advisers to the Government on Hanson's approach. Rothschild is advising Hanson.

Lord Hanson, chairman of Hanson, said yesterday that his company's philosophy of investing in good basic industries serving strong and continuing needs would be served if the company were to acquire PowerGen. "I would look forward to learning more about PowerGen and its ambitions and needs in the further discussions that are shortly to take place."

Details, Page 10; Editorial comment, Page 22

Row erupts over Soviet bank control

By Quentin Peel in Moscow

THE all-union Government of the Soviet Union and the new republican Government of the Russian federation are set for their first confrontation – over the unlikely issue of banking control.

The struggle for authority over the Soviet economy, and the whole process of economic reform, has suddenly become focused on the question of who runs the banking system – the state bank of the Soviet Union or the state bank of the Russian federation.

Behind the tussle, however, stand the figures of the country's two most powerful politicians – President Mikhail Gorbachev, the Soviet President, and Mr Boris Yeltsin, President of the Russian parliament.

The latest battle began 10 days ago when the Russian parliament passed a decree asserting its authority over the state bank of the Russian federation – previously essentially a branch of Gosbank, the all-union state bank – and all other banks in the republic.

It then proceeded to issue instructions to reorganise all the other banks, starting with Zhilsotsbank, which specialises in housing and social spending, to turn them into commercial banks issuing their own shares.

Joining battle: Boris Yeltsin (left), president of the Russian parliament, and Mikhail Gorbachev.

The moves brought a storming response from Mr Viktor Gerashchenko, chairman of Gosbank and a man who has already made perfectly clear his horror at republican efforts to set up separate currencies and banking regulations.

Earlier in the year he announced that Sberbank, the state savings bank, was being turned into an agency of Gosbank, as the basis for the future national clearing bank system. He was responding to attempts by the individual republics, starting with Lithuania, to "republicanise" the savings bank on their territories.

Sberbank is the only bank in the Soviet Union which enjoys a net inflow of cash and therefore is the only bank which would-be independent republics want to control.

Now Mr Gerashchenko has denounced the Russian moves and issued an instruction to all banks in the Russian federation to obey Gosbank and not the Russian parliament.

"A single currency unambiguously dictates the need for the unity of rules for the regulation of the monetary system, and such unity is possible only when, in an area with a single monetary system, only one central bank legally functions," he said.

In the future Union Treaty, which will set out the relationship of the republics to the Soviet centre, the 15 republics must agree to delegate their rights for regulating monetary circulation and credit to the central bank.

Mr Valery Savanin, the deputy chairman of the Russian state bank, responded yesterday. "We believe [the future of the system] should be a union of state banks of all union republics, that delegate part of their powers to the USSR state bank."

Deutsche Bank increases stake in joint Kreditbank venture

By David Goodhart in Bonn

WEST GERMANY'S Deutsche Bank said yesterday it would be putting a further DM700m ($427m) into its joint venture with the East German Deutsche Kreditbank, raising the total it has invested in the venture to DM1bn and its stake from 49 to 84.7 per cent.

The figure is slightly higher than many analysts had expected despite earlier warnings that the cost of reconstructing the East German banking system were escalating.

Deutsche Bank, which is well ahead of its West German rivals in terms of physical presence in East Germany, is taking over 122 branches and 8,500 employees of the former state banking monopoly.

Deutsche Bank has not taken over responsibility for Deutsche Kreditbank's outstanding corporate loans of about DM130bn, and will therefore not be affected if, as expected, a large part of that debt is never repaid.

However, Deutsche Bank did suggest that one reason for a slightly higher capital base for the new venture was that banks in East Germany can currently lend only ten times their own capital and reserves as compared with 18 times in West Germany.

The Bundesbank has added its own warning voice to the chorus of criticism from industrialists and officials in both Germanys about the latest wage settlements in East Germany. Page 24

Deutsche Bank, like all other West German banks, has been reluctant to start large-scale corporate lending in East Germany until proper information is available about companies' assets and until they have produced D-Mark balance sheets, a process due to be completed in the autumn.

But Mr Georg Krupp, a Deutsche Bank board member, did recently announce that the Bank has lent DM600m in East Germany, mainly to small and medium-sized businesses. The Bank is also contributing to the approximately DM5bn in liquidity credit going to East German companies for July.

That is the credit limit that the Treuhand (trust) body in East Berlin, which owns most of East German industry, is prepared to guarantee. Without that guarantee very few banks are prepared to lend.

The Treuhand decided it would guarantee only 41 per cent of the credit that each company applied for in July. It is still not clear how much will be available over the coming months, but some reports suggest that the guarantee limit for the whole year has been limited to DM10bn.

The 41 per cent guarantee has been criticised by Mr Edgar Most, board member of the new Deutsche Bank-Kreditbank venture in East Berlin, who complained that it was too indiscrminate. "Money is still flowing into firms which cannot survive and good firms are not getting enough," he told the magazine Der Spiegel.

Mr Most proposed that the Treuhand should provide a global guarantee for all credit required by the East German corporate sector for at least the next three months.

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CRAWLEY £8.00 sq.ft.* ST ALBANS £7.50 sq.ft.*

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*Industrial rents (Jones Lang Wootton, Dec. 1989)

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Italy's President shines a light into some shadowy corners

Italy's President Francesco Cossiga (left) is being transformed from a largely ceremonial head of state into an active source of pressure on political parties to heed public concerns. The change is popular.
Page 24

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MARKETS

STERLING
New York close
$1.8250 (1.8185)
London:
$1.8215 (1.8145)
DM2.965 (2.9775)
FFr9.945 (9.99)
SFr2.5275 (2.5525)
Y270.5 (270.25)
£ index 93.8 (94.0)

GOLD
New York: Comex Aug
$369.7 (362.0)
London:
$368.25 (361.25)

N SEA OIL (Argus)
Brent 15-day Sep
$19.275 (18.75)

Chief price changes yesterday: Page 25

DOLLAR
New York close
DM1.6220 (1.638)
FFr5.4415 (5.4925)
SFr1.3815 (1.401)
Y148.12 (148.6)
London:
DM1.628 (1.641)
FFr5.46 (5.505)
SFr1.386 (1.4065)
Y148.45 (148.9)
$ index 65.3 (65.6)
Tokyo close: 148.5

US closing rates
Fed Funds 8% (8)
3-mo Treasury Bills:
yield: 7.734% (7.77)
Long Bond:
$102\frac{1}{32}$ (102)
yield: 8.553% (8.53)

STOCK INDICES
FT-SE 100:
2,359.7 (−40.4)
FT Ordinary:
1,867.1 (−31)
FT-A All-Share:
1,159.41 (−1.4%)
New York close
DJ Ind. Av.
2,904.7 (−58.44)
S&P Comp
355.31 (−6.3)
Tokyo: Nikkei
31,894.79 (−526.73)

LONDON MONEY
3-month interbank:
closing $14\frac{15}{16}$% ($14\frac{31}{32}$)
Little long gilt future:
Sep $85\frac{7}{16}$ ($84\frac{7}{8}$)

Serious safety worries prompt call for swift government action

Prague faces tough choice on nuclear power stations

By Leslie Colitt in Berlin

CZECHOSLOVAKIA'S newly elected Government faces a painful choice between radically overhauling or scrapping most of the controversial nuclear power stations inherited from the previous Communist regime.

As in the Soviet Union, both would be extremely costly, but pressures are building on the Government to act soon. Czechoslovakia is the only country to build and export Soviet-designed nuclear plants. Over the past few months, Czechoslovak and international nuclear inspectors have reported serious safety deficiencies in these Soviet-licensed and Czechoslovak-built nuclear power facilities which are alarming citizens at home and in neighbouring countries.

Austria has urged Czechoslovakia to close the Bohunice nuclear station, the oldest and most trouble-plagued, which is situated near Bratislava and less than 70km from Vienna. The Austrians have offered financial and technical help. Mrs Marilies Flemming, the Austrian Environment Minister, met her Czechoslovak counterpart, Mr Josef Vavrousek, yesterday in Bratislava to discuss Austrian fears.

Mr Vladimir Dlouhy, the Czechoslovak Economics Minister, announced last Friday that Bohunice would be shut if it were ruled "unsafe" by independent inspectors.

Mr Marian Calfa, the Prime Minister, is expected to invite the International Atomic Energy Agency in Vienna to send an inspection team.

But while the Prague Government has its own doubts about Bohunice and other nuclear plants it sees no realistic alternative for the foreseeable future.

Conventional lignite-fuelled power stations in northern Bohemia have blackened towns and devastated the forests of the Ore Mountains, one of the worst ecological disaster areas in Europe. The previous regime was unwilling to curb enormous electricity wastage by industry and households. Importing oil to generate electricity was also out of the question – and remains so for reasons of cost – leaving nuclear energy, which currently provides 25 per cent of electricity and was to be doubled by the year 2000.

Czechoslovakia's Skoda engineering company is negotiating with several western manufacturers of nuclear power equipment to improve the safety of the atomic energy stations.

● Britain is optimistic that changes in Europe, including German unification, will provide new security and stability for the continent, Foreign Secretary Douglas Hurd said yesterday, Reuter reports from Prague.

"Events are moving forward...in the general direction that Czechoslovakia and Britain have favoured in recent months," Hurd told a news conference after talks with Czechoslovak leaders.

Skoda, Page 24

Belgium to curb its budget deficit

By Lucy Kellaway in Brussels

THE BELGIAN Government has produced a budget for 1991 that will allow it to keep cutting its enormous public sector deficit without drawing too much blood from taxpayers.

It has announced budget savings of just BFr57bn (£934m), the minimum needed to keep in line with its strict budgetary rules set three years ago. Under these rules the total cash deficit cannot rise beyond last year's level of BFr405bn, neither can non-interest spending show any increase in real terms.

Yesterday's agreement – reached after a surprisingly brief 10 days' haggling among ministers – was easier than had been predicted last spring. Since then a fall in interest rates and stronger than expected economic growth have reduced the needed cuts almost by half.

Reducing the budget deficit, nevertheless, remains by far Belgium's most serious economic problem. Even though the Government will have succeeded in bringing the debt down to 6.2 per cent of gross national product for 1991, it is still about twice the European average.

The latest OECD economic report warns that the problem is still "critical" and that Belgium must maintain its present effort well into this decade if it is not to lose the advantages gained so far. Belgium hopes to have cut the ratio to under 3 per cent by 1995.

Under the terms announced yesterday some BFr15bn of the savings are to come on debt servicing, through government plans to modernise the money markets, and through new three-month Treasury Bills. A further BFr15bn is to come from mainly corporate taxpayers.

This issue has been highly controversial within the governing coalition, with the Socialists pressing for larger savings from companies to put Belgium's corporate tax system more on a par with its European neighbours.

There was no sign yesterday that the Government is planning a wholesale review of company tax as recently proposed by Mr Alfons Verplaetse, the Belgian central bank Governor.

Instead, it plans to save some BFr6bn by closing some of the loopholes which companies use, and a similar amount by trimming generous investment allowances that are deemed no longer necessary. The tax on diesel will also be increased to bring the Belgian rate in line with the rest of the EC.

The government departments will escape lightly next year (in contrast to the squeeze imposed in previous budgets), with only BFr7bn savings demanded between them. Much of this is to come out of the defence budget.

A further BFr20bn is to be reclaimed through cutting government subsidies to the social security system, as part of a grander plan to change the way in which the system is financed. There will also be some increased spending on social measures, with small rises for pensioners and the unemployed.

Ukrainians anxious to reclaim gold

THE BANK of England has started searching its dusty archives to trace a barrel of gold supposedly deposited by a Ukrainian soldier 270 years ago and which the Soviet republic's new parliament now would like back, Reuter reports from London.

One Ukrainian lawmaker has estimated the gold's worth today in trillions of dollars.

"We have established that in our current banking operations and in our safe deposit account we have no record of a claim of that kind," a Bank of England spokesman said.

"Now we're digging in our archives to see if we can trace the relevant account relationship."

The bank has not received an official request for the gold from the new parliament in the Ukraine. But Mr Vladimir Yavorivsky, head of the parliament's commission on the 1986 Chernobyl nuclear disaster, told the chamber claims had already been launched for the return of the treasure, willed by military leader Mr Pavel Polubotok, to a sovereign and independent Ukraine.

Ukrainian deputy Mr Roman Ivanychuk said on Saturday that the gold was lodged with the Bank of England by Mr Polubotok before he set out for St Petersburg for talks with the Russian imperial government.

Once in the capital, Mr Polubotok was thrown in jail by Tsar Peter the Great and died there.

Ivanychuk estimated the barrel of gold would be worth $29,000bn at today's gold prices and taking into account accrued interest.

But the Bank spokesman said the estimated amount appeared "fanciful to say the least".

He said that if the Bank had accepted a barrel without inquiring into its contents, it would not accept liability for what it contained.

If, however, it had accepted payments in gold, it could be liable to make repayments in gold.

But in no case would it pay the currency value and interest on the deposit at present market value, he said.

Some eastern European countries and the Baltic states placed deposits of gold with the more stable western European countries such as France and Britain before World War Two.

Britain sold Lithuanian gold in 1967 to pay part of the claims of British creditors who had lost assets in the former Baltic states under a mutual settling of claims with the Soviet Union.

EC proffers a diplomatic olive branch to Britain on hard Ecu

By David Buchan in Brussels

BRITAIN'S EC partners yesterday promised to consider seriously its plan for evolutionary monetary convergence on a hard Ecu, while still keeping their own sights on creating a single currency for Europe.

Mr John Major, the UK Chancellor of the Exchequer, said it was "extremely good news" that his fellow finance ministers had agreed that the EC Monetary Committee, composed of senior treasury and central bank officials of the Twelve, should hold a special meeting on September 4 to discuss the hard Ecu alone. This would be then be taken up by EC finance ministers meeting in Rome on September 8.

There was little evidence that ministers from the other 11 countries see the Major plan – for the development of a non-inflationary version of the present Ecu basket currency – as anything more than one of several ideas to fill the transition towards their long-term aim of full-blown monetary union.

On the other hand, fears of a two-speed move to monetary union, fuelled by recent Bundesbank pronouncements, have, at least temporarily, heightened interest in some quarters in compromise proposals such as the Major plan. The UK Chancellor stressed that the gradual, evolutionary nature of developing a hard Ecu meant the Community would not have to "move abruptly at an early date" to full monetary union. As part of his continuing promotion of the hard Ecu, he arranged to visit Portugal and Spain, two countries whose ministers and officials voiced worries about being left in Europe's monetary slow lane if the EC's inner core plumped for a speedy union.

Ministers generally approved a Monetary Committee report that laid out a number of budgetary and economic conditions to be met if the Community were to move from the present Stage One of the Delors plan to Stage Two, in which the embryonic European Central Bank System would set up.

Indeed, many ministers yesterday added to these conditions by calling for convergence on wage policies and fiscal harmonisation among the Twelve, before the EC could enter Stage Two of monetary union.

Mr Guido Carli, the Italian Finance Minister, said he hoped that by September or October EC finance ministers would reach consensus about the scope, if not the detail, of the monetary union negotiations starting in December. But, aside from Britain's difference with its partners, the timing of any Stage Two is proving controversial: France and Belgium yesterday called for that phase to start in January 1993 but many other countries are being less hasty.

VAT proposals run into problems

By Lucy Kellaway

EC FINANCE ministers yesterday expressed doubts about Commission proposals for transforming the VAT system, making it unlikely that the package will be adopted in its present form.

In particular, they were not prepared to commit themselves to any date for moving from a transitory to a permanent system (championed by the Commission) that would raise the tax at each stage of the production chain, as happens within a single country.

In their first serious discussion of the proposals, member states agreed that priority had to be given to making sure that the planned transitory system – in which the tax would be collected in the consuming country – works properly. They realise that time is running out if a new system is to be in place by the time that frontiers come down in 1993.

However, most member states dislike the proposed permanent system as it involves redistributing revenues after the event, and they do not trust each other to do it fairly.

This issue has held up progress for more than a year, and it now seems probable that the Commission will have to drop a firm 1996 deadline for moving to the permanent system.

Some member states also expressed doubt yesterday whether the transitory arrangements provided enough checks against fraud, while others thought they put too great a pressure on businesses.

Meanwhile, proposals to abolish travellers' VAT allowances remained deadlocked, with Denmark and Ireland, which have much higher VAT rates than their neighbours, worried about excessive cross-border shopping. All such allowances are due to be scrapped after 1992, but member states have proved unable to agree to any system of phasing them out gradually.

Kohl and de Maizière to meet over election

By Leslie Colitt in Berlin

CHANCELLOR Helmut Kohl is to meet Mr Lothar de Maizière, East Germany's Prime Minister, on Thursday to discuss a row over pan-German elections which has brought the East German coalition to the brink of collapse, Reuter reports.

A Bonn government spokesman said yesterday the two Christian Democratic (CDU) leaders would meet privately in the Austrian lake resort of St Gilgen, where Mr Kohl and his wife are on holiday.

Mr de Maizière's CDU-led coalition is in danger of breaking up because of his insistence that separate elections in the two German states should precede unification. Both countries hope to hold all-German elections on December 2.

Separate elections would increase the chances of smaller parties in East Germany winning seats. In a single poll, only parties polling at least 5 per cent of the national vote would win seats.

Mr de Maizière, in an unofficial alliance with the Communists on the election issue, is vigorously opposed by two parties in his coalition, the Social Democrats (SPD) and Liberals, which want a single election to take place after unification.

Both accuse him of trying to split the left-wing vote and secure seats for his right-wing allies in the German Social Union (DSU) and for the Communists.

The West German SPD launched a stinging attack on Mr de Maizière yesterday, accusing him of jeopardising unification.

Hungary agrees land privatisation plan

HUNGARY'S first post-communist era government said yesterday it had reached agreement on the reprivatisation of farms which could involve more than half the nation's arable land, reports Reuter from Budapest.

Members of the ruling coalition – the Hungarian Democratic Forum, the Smallholder Party and the Christian Democratic People's Party – told a news conference they wanted a farm system based on private ownership.

"This aim was motivated by the agricultural crisis caused by the worsening efficiency of cooperative farming," they said in a prepared statement.

The changes, which the government hopes to get through parliament by August 20, reverse more than 40 years of communist policy which saw the creation of huge state cooperatives and farms and suppression of private agriculture.

But, despite the problems, Hungary's farming system with its limited use of private enterprise, remains the envy of eastern Europe, producing an abundance of food for the local market.

"In my opinion this measure would involve more than 50 per cent of Hungary's agricultural land," said Geza Zsiros, the Smallholder Party's agricultural expert.

Applicants for farmland would probably get six months within which to announce their intentions, Deputy Agriculture Minister Laszlo Sarosi said.

"The bulk of land reprivatisation could be done within two or three years," he added.

The three coalition parties said they wanted to return to the land property register which existed in 1947, as that was the last year before the communists began amalgamating peasant property into Soviet-style forced cooperatives and state farms.

In order of priority, those who now work on state farms or cooperatives would be entitled to buy 1.5 hectares (3.7 acres) of land at controlled prices.

They could be entitled to more after the needs of others on the priority list were satisfied.

People who had land confiscated after 1947 would be next in line, entitled to up to 100 hectares (250 acres), as would their heirs, depending on certain conditions.

Organisations which had land confiscated could also seek to recover up to 100 hectares without charge.

Co-operatives would be able to retain any leftover land, but state farms would lose anything remaining to local governments.

Forest land, with few exceptions, would not be returned to their former owners, who instead would receive agricultural land twice the value of their former possession.

The coalition agreed foreigners would not be permitted to buy either agricultural or forest land.

Bulgarians march to honour hero

MORE THAN a quarter of a million Bulgarians marched through Sofia yesterday in honour of long-dead communist hero Georgi Dimitrov in the largest display of support for the ruling former communist party, Reuter reports from Sofia.

A 5km (3 mile) long stream of people, chanting "We are many" and "Bulgarian Socialist Party," walked slowly from the Alexander Nevski cathedral to the city's central cemetery for the burial of Dimitrov's ashes. Most of the marchers were over 60 years old.

The body of Dimitrov, the founding father of Bulgarian communism, was embalmed after his death in 1949 and displayed in a mausoleum.

Britain and Spain discuss moves to combat drugs in Gibraltar

BRITISH and Spanish officials conferred in Madrid yesterday on joint action against drug smuggling around the British colony of Gibraltar, activities Spain has called "a cancerous tumour" on its south coast, Reuter reports from Madrid.

A British embassy spokesman said those taking part included the head of Britain's National Drugs Intelligence Unit, the Gibraltar police chief, Scotland Yard detectives and the director-general of Spain's Investigative Police.

"We hope it will lead to increased co-operation, but there is already a large degree of co-operation," said a British embassy spokesman.

Spain has a long-standing claim to Gibraltar, which was ceded to Britain under the Treaty of Utrecht in 1713.

It alleges the tiny colony is a centre for drug smuggling and for laundering its proceeds – charges which local officials deny.

Spain has asked Gibraltar to tighten banking controls and anti-drug policing in the colony but British officials say the Rock already has tougher financial legislation and anti-drug smuggling laws than Spain.

Bankers in Gibraltar fear that Spain's insistence that the colony is a money-laundering centre is damaging its reputation as a budding offshore financial centre.

British officials play down the importance of the Rock as an entry-point for drugs into Spain and say smugglers bringing drugs from Africa are unlikely to choose it as a dropping-off point when they can drop drugs directly onto Spanish beaches.

"To suggest that drug smuggling in the Campo de Gibraltar is organised from Gibraltar is simply not the case," said the spokesman.

Spain has complained that Gibraltar-registered speedboats are used to transport hashish from Morocco to the Costa del Sol, but the British spokesman said Gibraltar had introduced controls on launches similar to those imposed by Spain.

A Spanish judge last month sent two policemen to the colony to take part for the first time in a joint investigation of companies suspected of laundering funds from the drug trade in the north-west Spanish region of Galicia.

Easier line on EC joint ventures

By Lucy Kellaway in Brussels

THE European Commission yesterday sent a strong signal to companies planning joint ventures that it intends to police competition in this field in as unbureaucratic a way as possible.

In a judgment on a joint venture between three European packaging companies, the Commission decided that if a joint venture itself did not interfere with competition, then any subsidiary agreements between the companies needed to set it up were also permissible. As a result, companies announcing joint ventures will probably not need to notify the Commission of all peripheral arrangements; these could include special co-operation agreements on research and development, and licensing deals.

The Commission is due this week to publish joint venture guidelines, laying down which types will fall under the new merger control regulation which comes into force in September.

Wording in the regulation has puzzled companies. It says "concentrative" joint ventures will be dealt with under the new, simpler merger regulation. "Co-operative" joint ventures will continue to be looked at under Articles 85 and 86 of the Treaty of Rome.

Companies, which do not like the uncertainty of the present system, are hoping that definition of these two vague terms will result in as many as possible of the big joint ventures being considered under the merger rules.

There has been considerable concern among companies that Articles 85 and 86 are too vague to deal with joint ventures satisfactorily.

Waste costs forecast to double

By Peter Marsh

CHARGES for disposing of industrial and domestic waste are likely to double in western Europe by the end of the century, reflecting tougher environmental legislation.

The forecast comes from the London office of Paribas, an international stockbroker, in a forthcoming study on the waste industry. According to Mr David Owen, an environmental analyst at Paribas, western Europe paid about £16bn last year to dispose of solid waste. About 60 per cent of this was for processing industrial refuse; the rest was spent on domestic rubbish.

The annual cost is likely to rise to about £32bn by the end of the 1990s, predicts Mr Owen, with three-quarters of the money spent on industrial refuse. The steepest increases are forecast in countries like Italy, France and Britain which have less rigorous environmental legislation than West Germany, the Netherlands and Denmark, where waste disposal fees are already relatively high.

Mr Owen points out, however, that some countries with tough environmental laws have exported large amounts of their toxic waste to east European countries. Much of this has been buried in large land sites which have had minimal supervision and few engineering systems to prevent poisonous materials escaping.

With the increase in environmental consciousness in eastern Europe, this practice will have to stop, warns Mr Owen.

Much of the extra cash to be spent on waste disposal across western Europe is likely to be directed towards new treatment methods, such as high-temperature incineration of dangerous chemical and industrial waste.

New control procedures will also be required for many of the land dumps which currently receive domestic waste. Such procedures, which will put up disposal costs, include monitoring systems to check on the flow of hazardous materials into water supplies. Many dumps may require new ways of sealing in the refuse.

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Wide trade gap fuels fears of Turkish devaluation

The Government has rejected the depreciation option despite growing pressure, writes Jim Bodgener

SOARING imports have opened a gaping deficit in Turkey's current account this year, compared with two previous years of surplus. But the government is firmly opposed to devaluation as a solution.

By undermining still fragile yet strengthening confidence in world financial centres, devaluation might hinder international convertibility for the Turkish lira.

In the first four months of this year, the current account deficit totalled $1.164bn and the visible trade deficit worked out at $2.153bn, compared with a surplus of $444m and a deficit of only $539m in the corresponding period a year previously.

The main causes were the attractive exchange rate and increasing domestic demand, which was mainly met by imports as output from an industrial sector sapped by recession in the late 1980s failed to meet the challenge.

Since last summer, helped by a series of sweeping liberalisations of the customs duty regime, imports have mushroomed, rising to just over $6bn in the four months to the end of April, compared with $4.3bn in the same period last year. Leading the surge were raw materials, followed by consumer goods and then capital goods.

However, the June edition of the twice-yearly OECD economic outlook was still sanguine about prospects of another – though lower – current account surplus of $300m. Over the summer the deficit is expected to be eased by inflows from tourism and remittances from expatriate workers.

But even if there were a current account deficit by the end of the year, it would not be a problem, according to President Turgut Ozal. On the contrary, the current account position provides an opportunity to further raise the growth rate, he has stated.

Economists point out that the deficit can easily be bridged by short-term borrowing, given Turkey's present creditworthiness. All debt rescheduled in the early 1980s and late 1970s has been paid.

Indeed, with exchange rate depreciation negligible compared to inflation of 62.6 per cent to the end of June and high domestic interest rates, there is a positive inducement for short-term capital inflows.

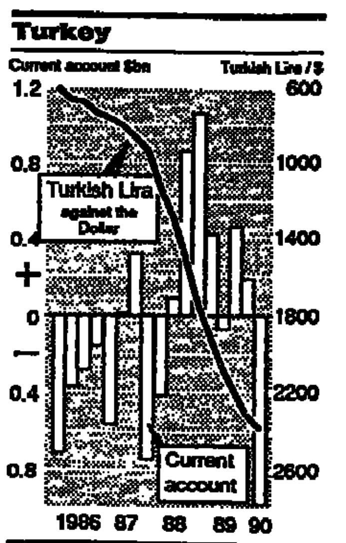
This is one reason for a flood of foreign money since February, much of which has settled, at least temporarily, in the Istanbul stock exchange.

The influential central bank governor, Mr Rusdu Saracoglu, is himself obdurately opposed to devaluation. Short-term borrowing has absorbed any impact higher deficits might have had on the monetary indicators, has been his message.

In the first half of the year, the central bank's foreign exchange reserves increased by $921m to $9.6bn, roughly compensating for a $1bn increase in short-term borrowing.

The question of whether or not to devalue has divided opinion among economic policy makers.

Some argue that the lira is overvalued, and should depre-



ciate in 1990 to around TL2,900 against the dollar compared with the TL2,600 forecast by the central bank. In the first half of the year, the lira depreciated by 14.5 per cent against the dollar, according to official rates.

Others maintain that market forces should set the rate. Were it not for central bank intervention, the lira would have appreciated, they have maintained. Conversely, increasing demand for foreign exchange among exporters and investors might lead once more to the primacy of the illicit but tolerated "tahtakale" black market currency traders in Istanbul.

The big trading houses are in the front rank of those calling for a devaluation. They grew to prominence in the 1980's export drive on the back of export tax rebate incentives coupled with a rapidly depreciating lira. The tax rebate prop was knocked away last year in line with Turkey's obligations towards the GATT subsidy code, and lira depreciation started to slow in 1989.

Traders say the support offered by the Turkish Export Credit Bank (Eximbank) still has not sufficiently compensated for the lost rebates and the more competitive exchange rate differentials. Export credits extended by the institution are expected to exceed $3bn by the end of 1990, if all the lines on offer abroad are accepted.

In total, $2bn has been offered in credit lines and $1.4bn in contractor credits, with certain markets – the Soviet Union, Iraq and Iran – being favoured. In the former case, the aim is to build on a deal to exchange Soviet natural gas for Turkish goods and services. The emphasis on trade with Iraq and Iran reflects a desire to revive stagnant regional markets.

But exporters have already run into Soviet shortages of hard cash in letter of credit deals outside the gas deal. And few Turkish traders are hopeful of a sudden increase in the pace of recovery in Gulf economies.

Yet support for devaluation is by no means uniform in Turkish industry, particularly among companies which have exploited the differentials by borrowing cheaply abroad. Through them, devaluation might bring about a debt crisis and a relapse into domestic recession, some commentators have warned.

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INTERNATIONAL NEWS

India cuts imports to conserve foreign exchange

By K.K. Sharma in New Delhi

THE Indian Government has made substantial changes in its foreign trade policy to tackle severe balance of payments problems and has slashed imports of several capital goods, components and raw materials.

The three-year foreign trade policy announced last April had liberalised such imports by removing licensing restrictions on them. By partially reversing these, the Government hopes to save Rs10bn (£320m) in foreign exchange this year.

That the Government has been forced to make changes in the liberal foreign trade policy indicates the severity of the foreign exchange shortage but the decision could lead to a slowdown in the economy and increase the budgetary deficit. The imports on which licensing restrictions have been reimposed include 37 categories of capital goods which are said to be in the low-priority list.

They include machine tools, machinery for making telecommunications, electronics equipment and similar items.

In addition, the Government has cut by 15 per cent imports of components and raw materials for the car, consumer durables and electronics industries.

The cut in imports is bound to affect production in the industries dependent on these imports and could add to the slowdown in industrial production that has taken place for the past many months.

The Government stands to lose revenues from import duties from the items to be restricted and also from excise duties from the affected industries. This is certain to add significantly to the already high budgetary deficit which the Government is committed to hold down to a manageable level.

The decision to restrict the imports is part of the exercise launched in recent weeks to conserve scarce foreign exchange.

It began last month when a series of measures were taken to cut imports of crude oil and petroleum products by more than 3m tonnes a year.

Mr V.P. Singh, India's Prime Minister, last week ruled out imports of consumer goods in short supply as a way of checking the sharp rise in prices, even though the Government is committed to check inflation, which is now running close to double-digit level.

While cutting imports, the Government hopes that the foreign exchange situation will ease by a sharp rise in exports which increased by 30 per cent last year.

Exports have shown an encouraging rising trend of 26 per cent in April and May, the first two months of the current financial year, compared to the same months last year.

Indian Prime Minister V.P. Singh, right, inspects a guard of honour with Soviet Prime Minister Nikolai Ryzhkov on arriving in Moscow for his first major overseas visit since taking office

Punjab police strike at finance groups

INDIAN authorities have struck a blow against Sikh militants by closing down more than 100 finance companies in Punjab state allegedly funded by protection rackets, kidnappings and robberies, police said yesterday, Reuter reports from Amritsar.

The companies, mostly established in the last year, acted as a cover for militants fighting for an independent Sikh homeland in the northern state, police officials said. "It was a scam and we had to close them down," said Mr K.P.S. Gill, the Punjab police chief.

Other police officials said the authorities had closed down all but four of Punjab's 132 finance companies. They said their combined assets were worth an estimated Rs10bn (£320m).

Once the biggest companies were closed down and owners arrested, runs started on smaller ones which did not have enough cash to meet demand. Some owners shut down and fled. Others were arrested, police said.

Mr Gill said recently that the companies had also provided jobs for extremists, issuing them with identity cards which provided a respectable cover.

However, the identity cards eventually provided the first evidence of the companies' links with the militants, police said. Cards were found on the bodies of two men killed in a clash with security forces four months ago.

So vast was the business that the biggest company employed as many as 20,000 people.

Many of the employees toured villages taking deposits at interest rates higher than anywhere in the country, said one businessman, Mr Raman Kumar, who supplied computer systems to the companies.

S Korean opposition quits after poll call

By John Ridding in Seoul

ALL 80 opposition members of South Korea's national assembly resigned yesterday to support their call for fresh general elections and to protest against the rushed passage of controversial legislation.

But a spokesman for the ruling party said that the resignations were illegal and would not be accepted. He added that the government rejected the opposition's call for elections to be held before the scheduled date in 1992.

The move by the opposition groups marks a return to extra-parliamentary politics and encourages the process of unifying the various opposition forces.

Mr Kim Dae Jung, leader of the Party for Peace and Democracy, which with 70 seats is the largest opposition party, has called for a series of rallies in support of the opposition demands. On Saturday, more than 200,000 people attended an opposition rally in southern Seoul.

Following the rally, a spokesman for the PPD said that the party had agreed to merge with the fledgling Democratic Party and that the new party would register next month. However, the leadership structure of the new party, which has proved an obstacle to unity in the past, has yet to be agreed.

The decision to resign from the National Assembly, which is out of session until September, was triggered by the passage of controversial legislation earlier this month. The ruling Democratic Liberal Party, which was created earlier this year through a controversial merger and which holds 218 of the 299 National Assembly seats, rushed through 26 bills, including several which were passed in a matter of minutes.

The opposition parties have accused the government of acting undemocratically and demand that the bills be re-introduced.

Japanese giants in battle over new high-tech marvel

Stefan Wagstyl reports on a looming sales war involving the compact portable video camera

Japanese consumer electronics companies are battling over the latest mass-market technological marvel – the compact portable video camera (camcorder).

The contest pits the industry's two giants, Sony and Matsushita Electronic Industries, against each other in a re-run of the fight over the market in video recorders (VCRs) in which Sony's Betamax format eventually lost out to MEI's VHS system.

This time Sony has swept into a commanding early lead, but after a year of effort MEI has in the last month come back into the running. The stage is set for a sales war in which each company will try to pack more and more electronics into less and less space. The main beneficiaries will be consumers in Japan and overseas. There is still everything for play for: even in Japan, only one person in eight owns a camcorder.

As with the VCR, Sony is pinning its hopes on technological prowess. It developed camcorders using 8mm tape, as opposed to standard ½-inch wide video tape, in order to make its machines as small as possible. Matsushita believes standard tape makes for better recordings. The first camcorders for home use were launched four years ago, but the weight (over 2kg) and the cost put off many consumers.

The market was transformed last summer by Sony's launch of its TR55 model, 790g in weight and the same size as a Japanese passport. With the help of an immensely-successful publicity drive, Sony accounted for some 40 per cent of the 6.8m camcorders sold worldwide last year – a gain in market share of about 10 percentage points.

It took Matsushita until last month to launch a competitive product – the NV-S1, at 750g the first VHS-format machine weighing less than 1kg. The machine features an "electronic image stabiliser" – a computer-controlled gadget which eliminates camera shake, the bane of many home recordings. Matsushita claims the stabiliser makes it possible to film scenes from a moving car or coach – very useful for Japanese tourists as they are bussed around on lightning trips to Europe or the US. The cost is a loss of about 20 per cent in picture quality.

Matsushita hoped to claim that the new machine would be the world's lightest camcorder. But it was beaten by Sony's launch this month of the TR45, which weighs just 690g. Sony simultaneously launched the TR75, the first compact camcorder with stereo sound.

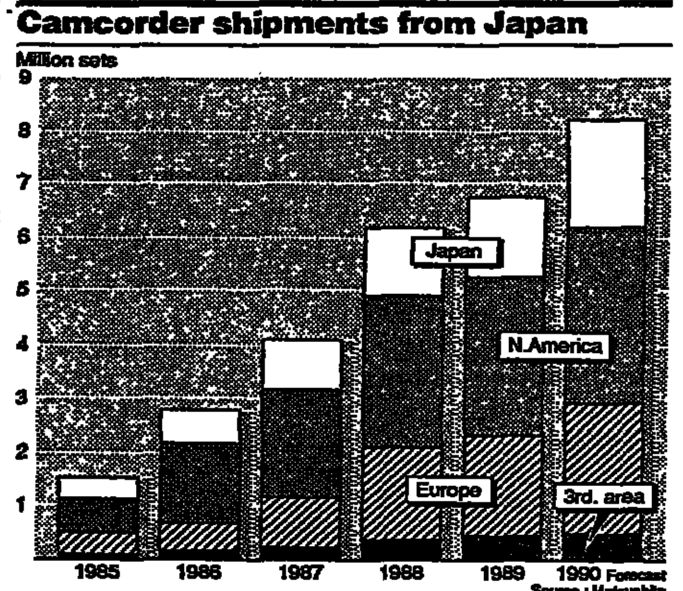
With last year's success behind it, Sony is comfortably ahead in sales, making 40,000 of each new model a month, soon to be raised to 50,000. Matsushita is selling 40,000 of its latest machine a month. For the moment price competition is muted since neither maker can keep up with demand. Matsushita forecasts that the industry's sales in Japan this year will hit 2m, nearly 30 per cent more than in 1989, with a 20 per cent increase to 6.2m in overseas sales.

Industry executives believe the market should keep growing at a similar pace for at least the next two or three years. Technical improvements will come thick and fast.

As these two groups battle it out, smaller companies are losing ground. Sony has shared 8mm technology with other makers – including Sanyo and Canon. JVC, an MEI affiliate, produces VHS equipment. But, the speed of innovation is so fast that these companies are struggling to keep pace.

Nevertheless, analysts believe the market is broad enough for both camcorders.

Camcorder shipments from Japan



Australian row over deregulation of telecommunications

By Kevin Brown in Sydney

DIVISIONS in the Australian federal cabinet over deregulation of telecommunications surfaced publicly yesterday when three ministers criticised proposals put forward by Mr Kim Beazley, the Communications Minister.

Under Mr Beazley's proposals, Australia Telecom, the domestic carrier, would be merged with OTC, the international carrier, to create a single state-owned company.

Competition would be provided by Aussat, the government's debt-ridden satellite operator, which would be privatised, possibly as a joint venture with one or more overseas telecommunications company.

The Beazley plan has the support of the ruling Labor Party's telecommunications committee, and is thought to be favoured by Mr Bob Hawke, the Prime Minister, although he has avoided committing himself publicly.

The plan was opposed, however, by Mr Paul Keating, the Treasurer and deputy prime minister, who fears the merged Telecom/OTC would prove too strong for a competitor based on Aussat.

Mr Keating favours a merger of OTC and Aussat to form a strong competitor to Telecom in the domestic market. At the same time, Telecom would be given access to the international market.

On the separate issue of privatisation, Mr Keating would like to see the merged OTC/Aussat listed on the Australian Stock Exchange, although the Government would retain a large block of shares. Both options envisage that Telecom would remain state-owned. The strength of opposition to Mr Beazley's proposals was underlined in newspaper interviews published yesterday with Mr Michael Duffy, Attorney-General, and Mr John Dawkins, Education and Training Minister. Both said a merger was not the best way to introduce competition.

Mr Hawke's office said the Prime Minister subsequently warned both ministers about "the public nature of their remarks", which added to the impression of disarray in the government on the telecommunications issue.

Mrs Ros Kelly, a former junior telecommunications minister who is now Environment Minister, later added her voice to those opposing the merger of Telecom and OTC.

Telecommunications reform is part of an extensive agenda for structural change over the next three years which is intended to embrace aviation, transport, shipping and the labour market.

But opposition to competition and privatisation remains strong within the trade unions and the Labor Party, and the party's left wing has promised a tough fight to prevent the transfer of any state assets into private hands.

The Left won support on the telecommunications issue yesterday from the Evatt Foundation, a Labor Party think-tank, which said the government was rushing into competition for ideological reasons, and warned that consumers would be worse off.

"There is no evidence in the US or UK to suggest that ordinary people actually benefit from competition or deregulation," said Mr Peter Botsman, the foundation's executive director. In spite of the uncertainty, four Australian and UK companies yesterday announced the formation of a consortium to bid for whatever companies or contracts the government decides to make available to the private sector.

The consortium – Pacific Dunlop, an Australian industrial conglomerate, the AMP Society, Australia's largest institutional investor, Exicom, the largest domestic manufacturer of telecommunications equipment, and Racal Telecom of the UK – said it wanted to be ready to respond when the government's intentions become clear.

The cabinet is expected to make a decision before Mr Keating delivers the federal budget on August 21.

Fresh moves on Cambodia

CAMBODIA'S tripartite opposition coalition has invited the Vietnam-backed Phnom Penh government of Mr Hun Sen to meet in Paris next week to try to agree on their participation in peace talks, William Dawkins writes from Paris.

The three opposition groups of the Khmer Rouge, Prince Norodom Sihanouk, and Mr Son Sann, are reportedly to meet in the French capital next Monday. They will try to decide on a response to the US Government's recent decision to open talks with Vietnam on how to stop the Khmer Rouge from returning to power, Mr Son Sann said in a telephone interview with Agence France Presse.

EC pushes Israel on peace talks

By Hugh Carnegy in Jerusalem

THE European Community's "troika" of foreign ministers yesterday called for an urgent resumption of Middle East peace efforts, warning that delay could lead to serious consequences in the region.

In talks with Mr David Levy, the Israeli Foreign Minister, the three ministers urged Israel's new right-wing government to engage in talks with the Palestinians about the occupied territories, a process that stalled in March.

Mr Gianni De Michelis, the Italian Foreign Minister leading the group, told a press conference the EC backed US efforts to promote such talks and the Community hoped the process would be revived in talks Mr Levy is due to hold in Washington with Mr James Baker, the US Secretary of State, on August 9.

Although the EC advocates an international conference involving the Palestine Liberation Organisation – a policy rejected by Israel – Mr De Michelis said the Community was willing to back any proposal that led to progress.

Without a peace process "the risk of a negative chain reaction in the Middle East is a very real one," he said.

Both sides stressed the talks were held in a friendly atmosphere, despite clear differences on key issues.

But Mr De Michelis made it clear the EC would not ignore political issues when economic issues such as trade ties were being considered. "We don't want to create any real direct link. We don't want to put on pressure. But it is obvious a deterioration of the situation in the Middle East will make much more difficult all sorts of co-operation – not only with Israel."

The troika, which also includes Mr Gerry Collins of Ireland and Mr Jacques Poos of Luxembourg, will meet Mr Yitzhak Shamir, the Prime Minister, before flying on to Tunis to meet the Arab League, currently chaired by the PLO. Mr De Michelis said they would convey the same message in their talks there.

Labour Party prolongs its disarray

BY DUCKING an early leadership contest on Sunday night, Israel's once mighty Labour Party has elected to extend the disarray it fell into when it fumbled its way into opposition in March, Hugh Carnegy writes.

By the same token, Mr Yitzhak Shamir's coalition of the hard right looks more secure than it might have hoped when it mustered a bare parliamentary majority just over a month ago – to the clear dismay of the US, which is frustrated by its uncompromising stance on opening peace talks with the Palestinians.

All is far from plain sailing for Mr Shamir and his Likud Party. They face real difficulties both in resisting strong international hostility to their unyielding position on the occupied territories and in coping with the huge economic burden of absorbing tens of thousands of Soviet Jews. But on the domestic front at least, they look better placed.

Mr Yitzhak Rabin, Labour Prime Minister in the mid-1970s, tried to persuade the party that, by quickly ditching Mr Shimon Peres, and re-electing himself, Labour could recharge its fortunes.

His call was rejected. Instead, the party will not hold a contest until preparations begin for the next election.

Philippines quake cost is put at over £250m

By Greg Hutchinson in Manila

PRESIDENT Corazon Aquino placed the damage to property in last week's earthquake in the northern Philippines at Pesos10-15bn (£250m to £375m).

Mrs Aquino, in her state of the nation address to congress, urged lawmakers to immediately pass Pesos10bn for the relief and rehabilitation after the quake which killed more than 1,600 people.

She also appealed to lawmakers not to go ahead with their threat to repudiate or suspend payments on foreign debt and pledged to bring inflation down and lower the Government's large fiscal deficit to 3 per cent of gross domestic product this year.

Earlier, two leading congressmen filed separate resolutions in congress seeking the suspension of principal and interest payments on the country's foreign debt in order to divert resources for helping the country over the earthquake.

A bill setting a ceiling on repayments at 15 per cent of the value of exports has also been presented to congress.

On the fiscal deficit's ratio to GDP, currently around 5 per cent, Mrs Aquino said the shortfall would be reduced through an accelerated sale of public assets. Mrs Aquino said the drought, which has eased with scattered monsoon rains in June, had severely lowered rice and corn harvest targets.

The Government was still expecting to achieve a sustained annual growth in production of at least 3½ per cent in rice and 5 per cent in corn as a result of its new programmes.

She was particularly bold on population growth, acknowledging the emotional nature of the issue in the overwhelmingly Roman Catholic nation of 63m, and admitted she may have been guilty of giving the matter insufficient thought.

The Philippines' population continues to grow by 2.4 per cent a year by official estimates, but the true figure is believed far higher and can potentially nullify the country's economic gains.

■ Relief supplies meant for victims of the earthquake have been pilfered, a senior official said yesterday.

President Aquino's cabinet co-ordinator, Mr José de Jesus, blamed the losses on government laxity in handling aid donations. He did not say how much aid was lost or if it included foreign donations.

Iraq claims Kuwait foreign minister is pawn of US

By Victor Mallet, Middle East Correspondent

IRAQ yesterday accused Sheikh Sabah al-Ahmad al-Sabah, the Kuwaiti Foreign Minister and brother of the Emir, of maliciously implementing US policy in the Gulf, giving a personal twist to the dispute between Iraq and Kuwait.

Since last week Iraq has revived a border dispute with Kuwait and repeatedly criticised both Kuwait and the United Arab Emirates for undermining the oil market by producing more crude than allowed by their Opec quotas.

Yesterday the official Iraqi media attacked Sheikh Sabah for sending a copy of a Kuwaiti memorandum about the dispute to the United Nations, although Kuwait immediately denied any intention to bypass Arab mediation efforts.

"Sabah al-Ahmad's malignant hand is behind all the harm inflicted on Iraq, and he acted as a tool to implement American policy in Kuwait," said the government daily newspaper al-Jumhuriya. "He is the pivot of the conspiracy hatched by the Kuwait Government." The newspaper of the ruling Baath party, al-Thawra, said: "Sabah al-Ahmad was further exposed as a US agent when he abandoned the Arab option and sent his memorandum to international forums."

Arab leaders continued their attempts to mediate yesterday. President Hosni Mubarak of Egypt and King Hussein of Jordan met Mr Tareq Aziz, the Iraqi Foreign Minister, in Alexandria.

Tension lifts oil price, Page 30

Nigerian debt talks stalled

TALKS between Nigeria and its bank creditors over a rescheduling of the country's $5.5bn (£3bn) foreign bank debt have failed to make headway, Our Foreign Staff writes.

However, the two sides have agreed to meet again next month when negotiations are expected to begin in earnest. The two sides have been in dispute since May when Nigeria announced it could no longer make payments on the debt.

At a meeting in London last week, Nigeria reiterated much of an earlier proposal for its debt to be rescheduled over 30 years and for it to pay a 3 per cent annual interest rate.

Maude indicates Sino-British thaw

A thaw in Sino-British relations, frozen since the massacres in Peking last year, has been indicated by Mr Francis Maude, junior minister in Britain's Foreign Office, Our Foreign Staff writes.

Before he left for Peking to discuss mainly Hong Kong issues with his opposite numbers in the Chinese government, Mr Maude said: "There have been good moves in China and we should respond to them".

He was referring to Peking's agreement to the departure for Britain of Professor Fang Lizhi, China's most famous dissident, from his year-long refuge in the US embassy. Britain clearly played a role in enabling China to shed this embarrassment.

S African deaths

Faction fighting between the African National Congress (ANC) and the Zulu Inkatha movement has spilled over into black townships near Johannesburg, leaving at least 21 people dead since Sunday, police said, Patti Waldmeir writes from Johannesburg.

Macao's sleepy colonials still have the power to enrage Peking

Economic co-operation is continuing despite tough talk between Portuguese and Chinese officials, writes John Elliott

Melancia: Lisbon's policy is to be more 'outspoken'

A STATUE in the centre of the tiny Portuguese enclave of Macao depicting a 19th century governor who was murdered after he tried to conquer parts of southern China, has become the latest example of western colonialism to enrage Peking.

As a "symbol of colonialism" it should be removed, Mr Lu Ping, a senior Peking official handling Hong Kong and Macao affairs, has bluntly stated.

Macao's Portuguese rulers are far less accustomed to such blasts from China's ultra-sensitive bureaucracy than their British counterparts in Hong Kong, 40 miles away across the Pearl River estuary.

But they have learned fast since Mr Lu's remarks last month, which were directed at a statue of Mr Joao Ferreira do Amaral. He also accused Portugal of "sluggishness" in preparing for 1999 and objected to the title given both to a local constitutional reform measure and to a Taiwan trade and liaison office.

"If China is interested in seeing the removal of the vestiges of colonialism, the best way is not to speak of them in such a way – if they do speak of them, it is not possible to change them," Mr Carlos Melancia, Macao's governor, replied in a recent interview.

This is part of a new Lisbon policy to be "more outspoken" in dealings with Peking.

Mr Melancia has also uncharacteristically rebuked China for "trying to interfere" in Macao's internal affairs.

Mr Melancia's main task is to start preparing the sleepy 17.4 sq km enclave of only 450,000 people for its return to Chinese control in 1999, two years after Hong Kong reverts to Peking's sovereignty.

He acknowledges that Portugal has not done nearly enough in the past to develop Macao nor to prepare it for 1999.

But Mr Melancia attributes Peking's public outbursts to China's apparent disappointment that Lisbon was not doing more to lobby on its behalf within the European Community. Now that the EC is softening its stance on China, he believes the situation "is being solved."

However Mr Melancia is under personal attack in Lisbon. The governor is appointed personally by Portugal's president and a new governor usually brings top officials with him. This reduces administrative continuity and means that senior officials' ambitions are constantly targeted on the political intrigue in Lisbon.

In the latest fracas, Mr Melancia has been accused of taking bribes in connection with Macao's new airport (a charge he denies) and of wrongly cutting criticisms of China from a Portuguese minister's speech. Macao and its top officials could continue to be political footballs until after Portugal's elections next year, but Mr Melancia says he believes the problems will ease soon.

Portuguese relations with China have been generally smooth for many years. Since the 1970s Macao has been run by Portuguese officials in close consultation with Peking, leading local businessmen and Peking-controlled agencies.

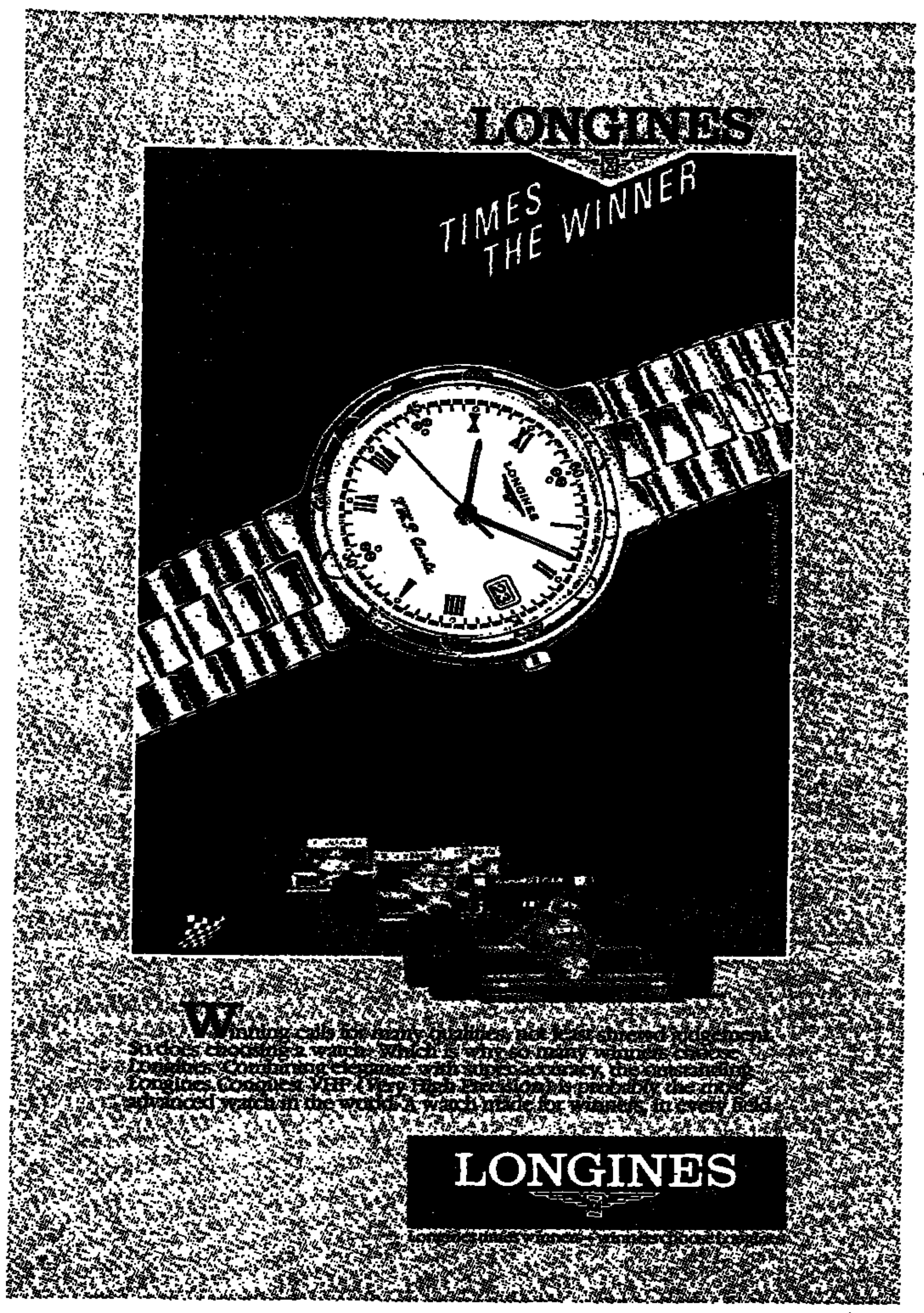
This non-colonial style of co-operation, and the approach of 1999, led China two years ago to start boosting Macao's economy. In particular it gave financial backing to the $450m-500m construction of Macao's first airport, to international standards. Together with improved port facilities, this is intended to pull in substantial international industrial investment. The recent trouble does not appear to have stopped this co-operation.

Meanwhile, some progress is being made on meeting China's general complaints. The main problem is a lack of Chinese speakers among the mixed race Portuguese-Chinese at the top of the civil service. So 40 of these Mecanese are to be sent to Peking to learn Chinese.

Last year Peking sent five lawyers to Macao to start translating the enclave's laws, initially by finding Chinese equivalents for 5,000 basic Portuguese legal terms. Despite endless arguments, Mr Melancia says it is "important to involve China in the translation and get political acceptance".

But it is reluctant to meet Peking's objections to the title given to Macao's Revised Organic Statute, or main local law, which was changed recently to provide more autonomy from Lisbon. It says the Chinese language version is too much like a constitution.

"If we accept a change, it would have implications for the future," says Mr Melancia. "If we have such problems over one single word, what will happen if they query everything word by word on the 5,000 legal terms. We would never finish the work."



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AMERICAN NEWS

Easter Island carves out a place on the map

Leslie Crawford visits a Pacific island debating whether to shake off its isolationism

EASTER ISLANDERS cannot decide whether belonging to a poor, Third World country is a curse or a blessing in disguise.

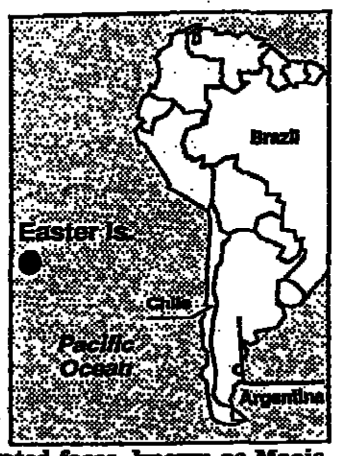
Centuries of isolation have made the islanders suspicious of the outside world. Chile, to whom the island has belonged since 1888, is blamed simultaneously for neglecting the island's economic development and conspiring to destroy its unique culture.

But while complaining about the pernicious influence of the mainland, most shudder at the thought of what might have befallen them had they belonged to a more affluent country, say, France or the United States. Club Meds and Moai theme parks? Hotu Matua, Easter Island's legendary first king, would turn in his grave.

Marooned in the middle of the Pacific, 2,360 miles from Chile, Easter Island is the remotest inhabited spot on earth.

Its sole contact with the outside world is a twice-weekly Lan Chile flight and a cargo ship which comes twice a year.

The island's 3,000 inhabitants, who are of Polynesian origin, live in Hanga Roa, a scruffy village of prefabricated houses and muddy roads. The only stretch of tarmac on the island is the airport runway, extended by the US space agency Nasa in 1985 to provide an emergency landing spot for space shuttles.



Easter Island: One of hundreds of giant statues with elongated faces, known as Maois, which dominate the landscape and whose origins remain an archaeological mystery

There are no newspapers. A local radio station broadcasts native music most of the day and the few islanders who own television sets have to make do with vintage American serials.

The Lan Chile flights, which began in 1967, brought tourism to the island. It rapidly became its main source of income. But the neglect of agriculture tied Easter Island even more firmly to Chile so that most products are imported from the mainland. The only local produce is fish, avocados, bananas and a few shrivelled yams.

The tiny volcanic island of 55 sq miles (14,245 hectares) also suffers from not having a sheltered bay in which ships can dock. The last cargo vessel, freighted last month, was unable to approach Easter Island for two weeks because of gale force winds. In the meantime, its cargo of potatoes and onions rotted.

The cost of administering such a distant outpost has not come cheaply to Chile either.

For a long time the island was run by the navy: it considers the triangle extending from Arica in the north of Chile, to Easter Island, to the Chilean Antarctic as its territorial waters.

But the navy knows it lacks the capacity to police such an expanse of ocean, let alone have its claim recognised internationally.

After all, it was only in 1966 that Easter Island became a municipality of the province of Valparaiso and its inhabitants given the right to vote.

Yet, Easter Islanders enjoy privileges which are the envy of most mainland Chileans.

Every family has the right to a house and five hectares of land. Petrol, electricity and telephone services are subsidised.

Medical care, which is in a state of near collapse on the continent, is good, and students who reach university level have government scholarships to continue their education in Chile.

Some islanders, however, still find cause for complaint, particularly over the growing number of mainland Chileans settling on the island.

The latter form about 30 per cent of the population and not only do they hold the best jobs, they are also blamed for importing bad influences.

"Alcoholism is our biggest problem," said Mr Alberto Hotu, leader of the island's Council of Elders. "The continentals also often abuse the freer sexual code of our culture."

Mixed marriages, tourism and greater contact with the mainland, said Mr Hotu, have led to the loss of the Rapa Nui language and traditions.

The Council of Elders, a self-appointed body which claims to represent the island's original 36 families, is pressurising the Chilean Government to grant some self-determination to its people.

Equally controversial is the council's claim to its ancestral land rights.

Mr Hotu would like the island to be owned and farmed collectively; at present Chile's forestry commission and a state farm administer about 80 per cent of the territory.

Mr Jacobo Hey Paoa, Easter Island's governor, believes this is dangerous nonsense: "One cannot turn back the clock to a mythical past," he said but recognises that many islanders sympathise with the call for greater autonomy.

Mr Paoa wants more islanders in positions of responsibility and more commitment from the government on tourism promotion.

Only 5,700 tourists visited Easter Island's Moai statues last year. "We could handle twice that number," he said.

El Salvador peace talks remain stalled

SALVADORAN government and rebel leaders remained stalled over the issue of military reform as they prepared to enter their fourth day of peace negotiations yesterday, AP reports from San José.

Clergymen in Costa Rica, where the talks are being held, and in El Salvador, used Sunday sermons to plead with both sides for a breakthrough in the talks.

But UN peace talks negotiator, Mr Alvaro DeSoto, said progress towards a ceasefire in El Salvador's decade-long civil war, remained elusive.

Roman Catholic Archbishop Roman Arrieta appealed for peace during the homily at his Sunday service, which leaders of both sides attended.

The talks remained deadlocked over the refusal of the Farabundo Marti National Liberation Front, or FMLN, to agree to a ceasefire unless El Salvador's military cuts sharply its numbers and purges the military of officers guilty of civil rights violations.

US-backed President Alfredo Cristiani's rightist government, meanwhile, insisted the guerrillas lay down their weapons before military and political issues can be discussed.

Strike threat to Menem plan

By Gary Mead in Buenos Aires

ARGENTINA'S Union Obrera Metalurgica (UOM), the country's most powerful trades union, looks set to start an all-out general strike before the end of the month, following the breakdown once more of wage talks.

Wage settlements for the largely private sector 320,000 membership of the UOM, set the pace for other unions.

President Carlos Menem's government regards the current UOM wage battle as crucial to restraining inflation, stuck at a monthly 14 per cent.

The UOM, which has a long history of industrial action frequently associated with extreme violence, is demanding an immediate 37 per cent across the board increase. The employers' federation has offered 17 per cent.

The two sides have been engaged in this dispute since the start of July.

The UOM has staged two 48 hour strikes to press its claim, and now looks set to shut down completely factories within days.

The dispute has clear political overtones.

Besides the threat to President Menem's policy of restricting wage increases to levels below inflation, the UOM leadership under Mr Lorenzo Miguel, is opposed to the Menem government's general economic policy of dismantling the state and reducing trades union power.

However, Argentina's severe economic recession means that the UOM lacks the industrial muscle it once enjoyed.

Mr Menem, to whom UOM leaders were reported to be considering a direct appeal, has said that he will not intervene in a dispute which is for the UOM and employers to resolve.

The UOM leadership now faces a difficult choice of backing down and accepting what many would interpret as an historic defeat, or scaling up its industrial action and risking a split within its ranks.

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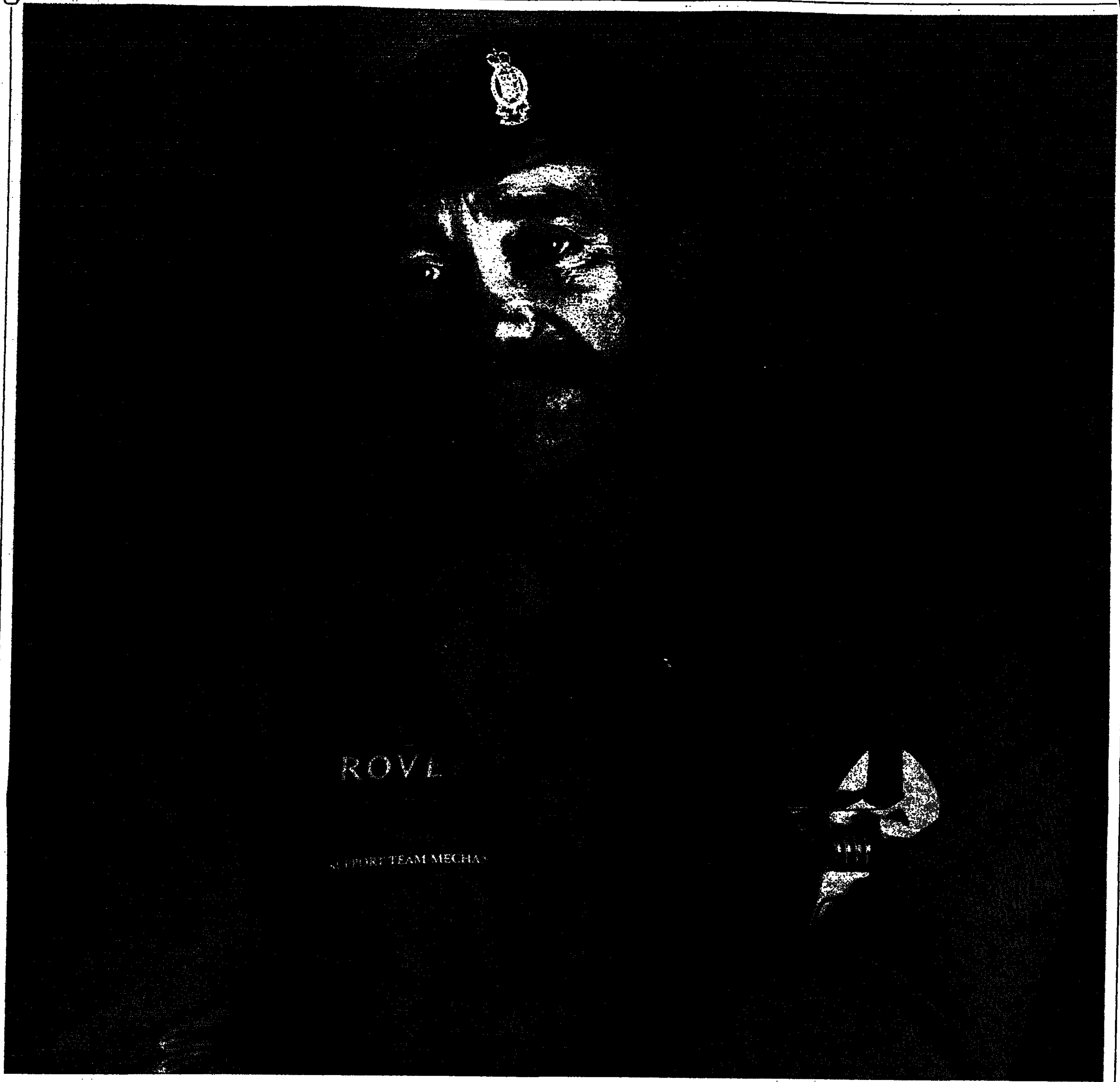

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Senate squabbles hold up E European aid initiative

Peter Riddell on a failed development package

MR John LaFalce saw the Berlin Wall come down last November, was excited by what the event meant and wondered what he could do to help.

Unlike the other 255m Americans he is in a position to do something: Mr LaFalce is a member of the House of Representatives, not a well-known name on the evening television shows but a typical middle-ranking Democrat.

Yet the frustrations he has faced in pushing forward his ideas illustrate the obstacles which can arise at every stage of the US legislative process.

Elected in 1974, Mr LaFalce represents an upstate New York district between Rochester and Buffalo, including Niagara Falls.

He has moved up the ladder to become chairman of the small business committee and to a senior position on the subcommittee of the House banking committee dealing with international development, finance, trade and monetary policy.

Although he had travelled widely, Mr LaFalce had never been to a communist country. But after last November's events he felt "a compelling need to go there and become a participant." Along with members of his committee he visited several central European countries earlier this year and came back committed to taking quick action – "in a sense finishing off the job" started with the post-war rebuilding of Europe.

Within the remit of his committees, Mr LaFalce sought to move the process along. He submitted proposals to focus assistance on environmental degradation, both loans and debt-for-environment deals, and on development of small business.

He also urged the expansion of the Peace Corps into central Europe.

His proposals have duly been incorporated in a larger assistance measure for central and eastern Europe, including US participation in the European Bank for Reconstruction and Development.

This has gone through the relevant committees and is awaiting action on the floor of the House.

The problem is in the Senate, where a parallel measure has been considered by the foreign relations committee (minus the LaFalce provisions due to be included in a Senate/House conference).

After several months of wrangling a compromise between the administration and Senate Democrats appeared to have been agreed earlier this month. This allowed for technical assistance not only for former communist countries in eastern Europe but also, subject to presidential discretion, to the Soviet Union.

However, the deal fell part late last Thursday as Republicans pressed for longer debate over detailed provisions and the overall cost – $535m (£294m) for fiscal 1991 starting this October, against $300m sought by the administration. The State Department argued that in spite of changes it still preferred the House version, costing $489m and with no provision for technical aid for Moscow.

The majority Democrats pushed through the measure 10 to nil; all nine Republicans boycotted the vote.

This could turn out to be a pyrrhic victory as it is easy to hold up legislation on the Senate floor. Senator Robert Dole, the Republican minority leader, has said the measure is "not going to move very quickly on the Senate floor. If it moves, it'll be like a turtle."

While a compromise will probably be agreed eventually, there is little time in this session so action may be deferred until next January – even though the majority of Democrats and Republicans agree on most aspects of the legislation. Central and eastern Europe will have to wait until the US Senate sorts out its squabbles.

Opposition condemns Mexican electoral reform

By Richard Johns in Mexico City

CHANGES in Mexico's electoral procedures designed to curb ballot-rigging also appear to shift control of elections from the Ministry of the Interior to the presidency.

This is how the centre-left opposition Party of the Democratic Revolution (PRD) is interpreting 184 amendments to the electoral code recently approved by a big majority of the Chamber of Deputies.

The amendments will be in force by the time mid-term elections are held in August 1991, when membership of the entire lower house and half the Senate will come up for renewal.

According to senior government officials here, the amendments apply to federal voting but not necessarily to the more contentious state, municipal and district elections. The officials merely say that the 32 states are "autonomous" and therefore can follow the federal lead.

The PRD claims elections will remain under the control of the state and, therefore, the ruling Institutional Revolutionary Party (PRI). In future, the PRD maintains, a blanket of bureaucracy will facilitate fraud.

Backing the PRD is the so-called "Independent Group", defectors from the Party of the Cardenista Front for National Revolution (PCFRN), a breakaway faction from the PRI.

The amendments were supported by 369 members of the lower house, with 65 against. The PRD and the Independent Group, which the Government does not recognise as a party, boycotted the count.

Meanwhile, the promised new voting register and identity cards – agreed between the PRI and the conservative opposition National Action Party (PAN) as part of a parliamentary deal – may not be ready in time.

The PAN has insisted the identity cards are required to clean up the PRI-controlled electoral authorities which are widely believed to have manipulated election results; not least the 1988 election which saw President Carlos Salinas de Gortari win with a slim 51 per cent majority.

Last October the PAN's leadership reached a deal with the PRI whereby any party obtaining 35 per cent of the pluralistic vote in a general election would automatically get 51 per cent majority control of the Chamber of Deputies.

Nicaraguan truce barely disguises tensions

Old factions and new divisions emerge after the general strike, writes Tim Coone

THERE is a truce in Nicaragua, not peace. The general strike this month, which brought the country to the brink of civil war, was resolved without piles of corpses littering the streets.

But neither has the solution done more than simply draw the battle lines for the next confrontation. Reprisals have begun against government employees who participated in the strike, already violating the truce agreement between the Government and union leaders of the Sandinista opposition. Mr Francisco Mayorga, the central bank president, told the FT: "I am not going to dismiss people for participating in the strike, but for other reasons. I am going to put an end to the union in the bank."

Mr Mayorga's economic adjustment plan, which has sent prices soaring, put pressure on wages and severely curtailed demand – the exact opposite of what he has publicly stated he intended – was one of the main causes of the strike. His view that union power must be curtailed is widely shared within President Chamorro's cabinet. One of her closest political advisers, Mr Alfredo Cesar, pushed her to declare the strike illegal and to confront the unions, according to one of her cabinet members. The result was two days of chaos in the capital.

If the Sandinistas had wanted to topple the government of President Chamorro, they could have done so by doing little more than keeping the police and army – which they control – confined to their barracks. The trade unions and students alone, which the Sandinista leadership ended up only just keeping in control, would have paralysed the country indefinitely.

Mrs Chamorro, facing a challenge from the right-wing within her own 14-party UNO alliance, could not have survived the combined assault of right and left upon her shaky centre.

By calling in the Sandinista army to help end the strike and guarantee her Government's survival, Mrs Chamorro has earned the scorn of the right, who accuse her of acting in concert with the Sandinistas.

At the height of the crisis, Mr Virgilio Godoy, the Vice-President, began recruiting vigilante groups to confront the Sandinistas on the barricades. He was reprimanded by Mrs Chamorro, but received the support of most of the UNO parties.

He remains unrepentant and has continued to organise "National Salvation Brigades" in preparation for the next general strike. Most of the violence in the past strike was attributed to these and other right-wing groups which suddenly sprang up in the capital, some armed with automatic rifles.

On the opposite side of the fence, the albeit limited use of police and army force against the strikers, and behind-the-scenes hectoring of the strike leaders by moderate but powerful party leaders, has stirred intense rumblings within the Sandinista party.

Old factions dormant since the 1979 revolution have begun to reappear and publicly air their differences. The moderate leadership of the former President, Mr Daniel Ortega, is being questioned. He and his brother, General Humberto Ortega who heads the army, are now viewed by significant sections of the party as having made too many political concessions to the moderate business sector around Mrs Chamorro, in order to retain control of the army and police. Many family links exist between Mrs Chamorro's political entourage and the Tercerista faction of the FSLN which the Ortega brothers founded.

Right-wing vigilantes prepare for the next confrontation

But the ideological fissures are now more numerous than before. One prominent member of the Sandinista Assembly, a policy-making body of the party, told the FT: "There are now 15 not three tendencies within the party." A committed supporter of Mr Ortega, he said: "Only he is able to unite the party. His leadership must not even be questioned."

The strongest challenge comes from Mr Tomas Borge, one of the FSLN founders, who has strong links to the trade unions and was one of the key political figures behind the strike. Last week, the FSLN celebrated the 11th anniversary of its seizure of power in 1979 through an insurrection. Having lost it again at last February's elections under Mr Ortega's leadership, some party leaders and bureaucrats are facing a purge between now and next February's party Congress.

Meanwhile the radical sections of the party are trying to retrieve its lagging political momentum by encouraging the unions to strike. The Ortegas, however, see Mr Godoy's looming threat and have no wish in provoking the fall of Mrs Chamorro's government. If she was to resign then Mr Godoy would assume the presidency. The modus vivendi which has been struck up between Sandinistas in the army and police and President Chamorro's inner team of moderate technocrats during the first two months of government, would then be abruptly ended.

General Ortega has publicly warned the Vice-President that his vigilante groups will not be tolerated as they are unconstitutional. Mr Godoy's supporters have responded by calling for General Ortega's sacking.

The political confrontation behind the last general strike, has thus simply been postponed, not resolved.

Since the last strike, bursts of gunfire during the night have become a regular occurrence in the capital. Low-level political murders are becoming more frequent. If a prominent political figure was now to be targeted instead the violence might not stop next time at the brink of a civil war.

As one Nicaraguan, commenting on Nicaragua's long history of political violence said: "The great challenge facing Nicaragua now is how one gets rid of a political undesirable without actually shooting him."

Support for B-2 bomber programme slips further

By Lionel Barber in Washington

THE future of the B-2 Stealth bomber was cast into further doubt yesterday after a leading House Democrat abandoned support for the $63bn (£34.6bn) programme.

Mr Les Aspin, chairman of the House armed services committee, said he would press to halt production of the radar-evading bomber beyond the 16 already started.

The B-2's costs have risen from $530m to $840m per aircraft, mainly because of production cut-backs last year when Congress questioned its purpose and reliability.

The Bush Administration has cut planned orders to just over 70 aircraft, but still argues the bomber is vital to long-range plans to modernise its nuclear deterrents.

Support for the B-2 in the House of Representatives has slipped sharply following the thaw in US-Soviet relations and severe domestic budgetary constraints. An amendment sponsored by Mr Ron Dellums, the California Democrat, and Mr John Kasich, the Ohio Republican, which would halt production, now appears to have a good chance of passing.

Clash at Ford's Brazilian plant

FORD'S car plant in Brazil is under police protection after a weekend of violence in which 3,000 striking workers set fire to 25 cars and smashed windows and equipment, writes Christina Lamb in São Paulo.

Negotiations are under way between the unions and Autolatina, the holding company for Ford in Brazil, to try to end a strike which has paralysed the plant for the past 42 days. Ford says this represents about $70m (£38.5m) in lost production from the São Bernardo dos Campos plant.

On Friday Ford suspended salaries of 6,500 production workers employed in the plant.

Sweeping changes likely for high-tech textiles

By Alice Rawsthorn

THE NON-WOVEN, or high-tech, textile industry is set for a period of sweeping change as the leading producers form international alliances to adapt to an increasingly competitive market.

A report from the Economist Intelligence Unit suggests the non-woven industry, involved in the production of technical textiles for medical or industrial use, will become increasingly internationalised in the 1990s.

The $5bn (£2.8bn) industry is already concentrated among a handful of large concerns. These include the giant chemical groups, Hoechst of West Germany and Du Pont of the US, and Freudenberg, the West German company.

The large players have already been strengthening their positions by acquisitions. Freudenberg plans to acquire a majority holding in the polyester spunbonded businesses of Rhône-Poulenc of France. Holzstoff, the Swiss company, recently bought James River Nonwovens of the US.

The catalyst has been the increasingly competitive state of the non-wovens market. The market experienced rapid growth in the 1980s but seems set for more modest growth as it matures in the 1990s. The rate of growth in the US, which represents half the worldwide market, is expected to slow down to between 5 and 6 per cent over the next few years.

The World Non-Wovens Industry is published in Technical Textile Markets by the Economist Intelligence Unit, 40 Duke Street, London W1A 1DW for £125.

S Korean Eximbank to open in Moscow

THE EXPORT-IMPORT Bank of South Korea plans to open a representative office in Moscow as soon as the plan is approved by South Korea's Finance Ministry, bank officials said yesterday, AP-DJ reports from Seoul.

They said it would be the state-run bank's first operation in any communist country.

They said the proposed Moscow office was intended to collect information and data on the Soviet economy and help South Korean businesses which wanted to advance into the Soviet Union for investment, trade and other dealing.

South Korea regards the Soviet Union as a promising market for Korean manufactured goods.

Telecom project to link Asia and Europe

TELECOMMUNICATIONS firms France Telecom and Korea Telecommunication Authority (KTA) have joined nine companies working on studies for a $600m, 13,000km telecommunications project linking the Far East with Europe across the Soviet Union, according to Telecom Denmark, Reuter reports from Copenhagen.

The existing consortium comprises the Soviet Post and Communications Ministry, US West Inc, Kokusai Denshin Denwa Co Ltd of Japan, Stet Spa of Italy, British Telecommunications Plc, OTC of Australia, Denmark's Great Northern Telegraph Company and Telecom Denmark, and West Germany's Deutsche Bundespost Telekom.

"The addition of the two companies from France and South Korea means that most of the major international communications traffic carriers in Europe and Asia are now participating in our project," Mr Jens Kiil, Telecom Denmark director of communications, said.

Feasibility studies for the fibre link-up submitted last September had been favourably received by the Soviet Union and the consortium was now working on a final plan for submission to the Soviet Post and Communications Ministry this autumn, a Telecom Denmark spokesman said.

The main Danish involvement in the project will be in the Copenhagen-Moscow stretch of the Trans-Siberian Optic Fibre Cable linking Europe via the Soviet Union with Tokyo. The Copenhagen-Moscow link is due for completion in early 1993 at a cost of some $60m.

EC says it still holds to the magic words

By Peter Montagnon

YESTERDAY'S agreement did not mean that the European Community had abandoned its idea of achieving reform by means of an aggregate measure of support (AMS), Mr Guy Legras, the EC chief farm negotiator said yesterday.

These magic words which are now graven on the hearts of most trade officials are shorthand for a procedure which would involve totting up the effective cost of all forms of support and expressing them as a percentage of value-added in farming.

Once this had been done it would be possible to put a figure on the extent to which each trading power would reduce its support, but the key for the EC is that each country would decide for itself how to achieve the targeted reduction.

The US objection to this idea is based on a belief that such a formula approach would allow the EC to backslide and keep intact those parts of its Common Agricultural Policy which the US considers most distort trade in farm products.

The US wants the EC to commit itself to change specific policies, notably by reducing its export subsidies. Unless this happens, Washington doubts that the EC is truly committed to reform.

The EC considers an AMS is necessary to prevent the US maintaining and even increasing the support it gives to its farmers through domestic subsidies, most notably in the form of deficiency payments which compensate farmers for the low prices they receive when they take their products to market.

ANTI-DUMPING ACTIONS SURGE

Bitter row over dumping defused

By William Dullforce in Geneva

AN AGREEMENT to differ and to try again has defused a potentially explosive dispute over anti-dumping in the Uruguay Round's Trade Negotiations Committee (TNC) this week.

Nevertheless, it is evident that the confrontation in which Japan and a group of newly industrialised countries are lined up against the European Community and the US is far from being resolved.

This implicit admission of failure came as Gatt released new figures illustrating the surge in anti-dumping actions by the EC, the US, Australia and Canada during the 1980s.

It has been agreed that the revisions to Gatt's anti-dumping code proposed by Mr Charles Carlisle, Gatt's deputy director-general, after several months of intensive negotiations will be submitted to the TNC.

A covering note will explain that many delegations do not consider that Mr Carlisle's paper provides a basis for continuing the negotiations and that he will attempt a second revision before the end of August.

Accompanying the paper is a lengthy synopsis of the conflicting proposals so far tabled in the talks, making up a document of more than 170 pages. The TNC can only take note of the setback and urge governments to intensify their efforts to find a solution.

Dumping occurs when an exporter sells a product on a foreign market at a price lower than that at which it is sold on his home market. The EC and the US have stepped up their measures against Japanese, Korean, Hong Kong and each other's companies, charging them with using predatory pricing to capture market shares at the expense of domestic industries.

Japan and its allies retort that Washington and Brussels have been using arbitrary and unjustified methods to demonstrate dumping and have violated Gatt rules in their actions against foreign assembly plants on their territories and against exports from third countries.

Gatt's latest figures show that in the nine years to July 1, 1989 the EC compelled 151 foreign exporters to give price undertakings to avoid dumping charges and imposed 84 definitive anti-dumping duties.

The US imposed 156 anti-dumping duties and exacted six price undertakings. Australia imposed duties on 174 occasions and obtained 41 price undertakings while Canada nailed 156 companies with duties and secured 11 agreements on pricing.

The countries whose companies were most hit by anti-dumping duties were Japan (74), the US (51), Korea (40), China and West Germany (32 each).

Taking the 12 EC states together, Community exporters suffered anti-dumping charges on 107 occasions.

Mr Carlisle's revision of the anti-dumping code aimed for a compromise. The rules for action against alleged dumping were to be tightened. On the other hand, governments would be allowed, under carefully defined circumstances, to act against companies circumventing dumping charges by assembling imported components or by exporting from third countries.

The proposed revision was sharply criticised from all sides. Japan charged that it went only half way to meet the demand for clearer, more objective rules on what constituted dumping, while accepting almost entirely US demands on anti-circumvention.

The EC, whose present anti-dumping practices have been condemned by a Gatt disputes panel, warned that it would adopt US methods against anti-circumvention, if no agreement was reached.

Lawyers for US manufacturers warned that it would be impossible for US industry to support a package of results from the Uruguay Round, if it contained a section on anti-dumping based on Mr Carlisle's draft.

The US semiconductor industry association charged that any agreement based on the draft would result in a substantial and unacceptable sacrifice of US anti-dumping remedies.

● The US knitwear industry condemned the Commerce Department last week for levying a 5.86 percent dumping duty on one Hong Kong manufacturer and for finding dumping margins of two other companies to be insignificant.

A fourth manufacturer named in the long-running complaint, Prosperity Clothing, did not co-operate with the US investigation and was found to have a dumping margin of 115.5 per cent.

The National Knitwear and Sportswear Association, which last year filed dumping complaints against man-made fibre sweaters, estimated the dumping margin of sweaters from Hong Kong to be between 25 per cent and 115.5 per cent.

Similar complaints against Taiwan and South Korea are still being investigated.

COUNTRIES MOST FREQUENTLY SUBJECT TO ANTI-DUMPING DUTIES (July 1, 1980 to July 1, 1989)

EXPORTER	COUNTRIES IMPOSING DUTIES				
	Australia	Canada	EC	US	*Total
EC	35	41	**2	29	107
Japan	21	13	12	28	74
US	16	25	10	–	51
S Korea	14	14	2	10	40
China	12	6	3	11	32
W.Germany	11	14	-	7	32
Taiwan	11	4	-	13	28
Brazil	4	7	6	10	27
Italy	8	6	-	8	22
France	8	8	-	6	22
Canada	6	-	5	10	21
UK	6	9	-	2	17
Spain	2	4	2	6	14

*The total number of definitive anti-dumping duties imposed by these Parties during this period was 589. **Spain.: General Agreement on Tariffs and Trade (Gatt)

Japanese seek China plant deals

JAPANESE engineering companies are ready to bid for design of fertilizer plants that will be built in China after Japan's aid to the nation resumes, officials said yesterday, AP-DJ reports from Tokyo.

Toyo Engineering, a leading plant-engineering concern, said the Chinese government contacted the company for information about the plants, which will be built as part of a Yen 810bn package of loans to China.

The aid was approved by the Japanese government in 1988 but has been suspended since the bloody suppression of pro-democracy demonstrations in Peking last June.

Ube Industries, a maker of chemicals, cement, and industrial plants, also compete.

The companies are preparing their bids amid growing signs Japan will restore lending to China soon. Last week a high official in the ruling Liberal Democratic Party said Japan would resume aid in September.

● Turkey has signed an agreement with China to import 675,000 tonnes of crude oil this year, writes a correspondent from Ankara. Next year oil imports from China are to rise to 2m tonnes.

Turkey has oil agreements with Iran, Libya, Algeria and the Soviet Union and oil products agreements with Saudi Arabia and Kuwait.

Nippon to supply steel to China

NIPPON STEEL, the world's largest steelmaker, announced yesterday that it and five Japanese furnace steel companies had reached agreement with the China National Metals and Mining Import and Export Corp. to produce and supply steel to China, AP reports from Tokyo.

The accord, on which negotiations began on June 13, provides that the group will supply up to 1m tons of steel, excluding seamless pipes, to be shipped between September and January.

Although the price of the shipment has not been disclosed, a spokeswoman at Nippon Steel said that the price per ton would be "slightly lower" in dollar terms than that paid during the previous five-month period.

In the previous period, the Japanese steelmakers supplied only 500,000 tons. Overall economic activity in China slowed following the worsening of economic relations with the western industrialised nations after the military crackdown at Tiananmen Square on June 4 1989.

Although economic conditions are improving, the negotiated amount still reflects sharply reduced volume from 1.89m tons during the five months before June 1989.

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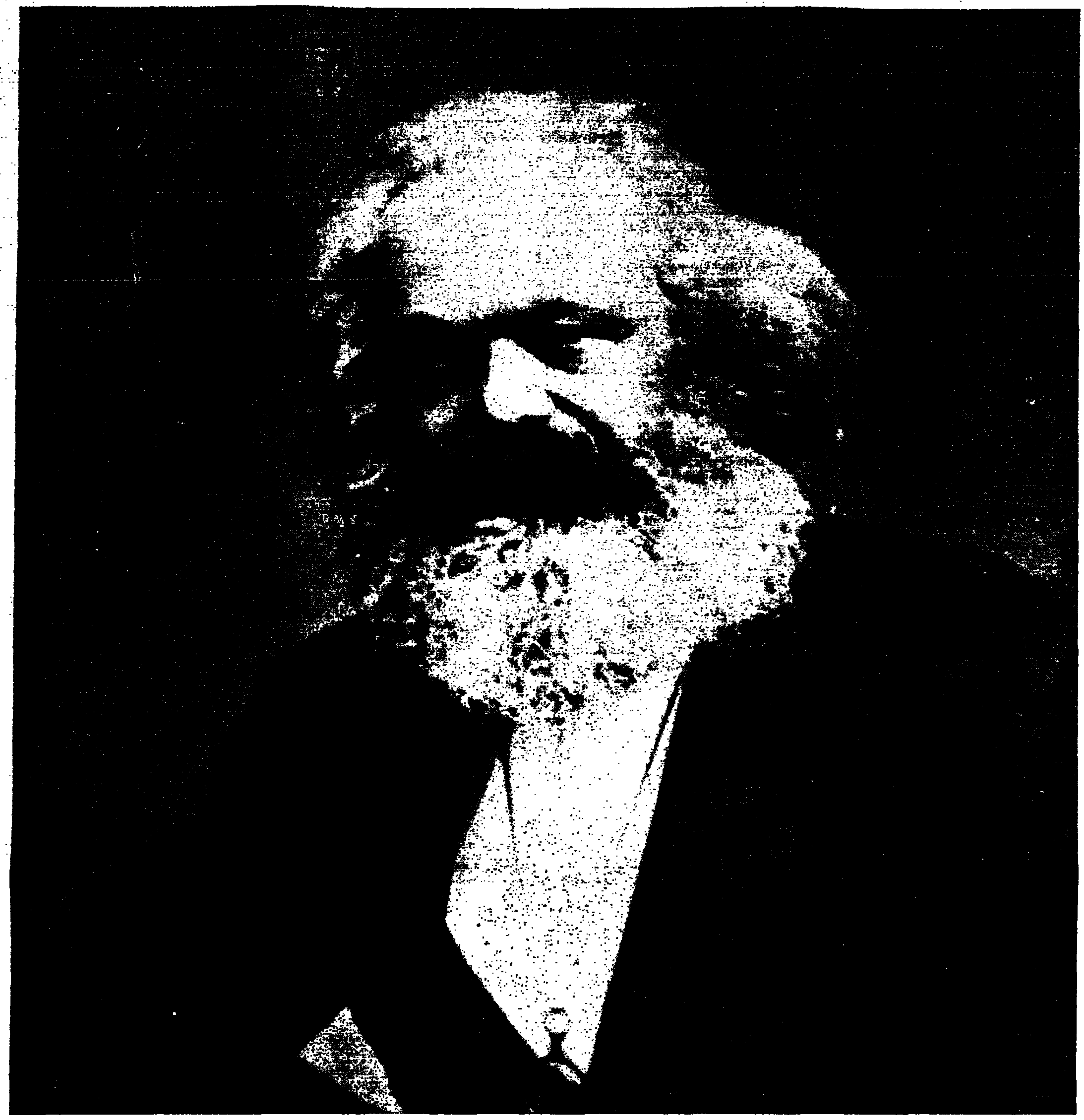

WE'RE HELPING EASTERN EUROPE TRADE MARX FOR DOLLARS.

The Bush administration recently established an Eastern European Growth Fund to encourage private investment in Central and Eastern Europe. The fund is to be administered through the U.S. government's Overseas Private Investment Corporation, and Salomon Brothers has been named both its investment advisor and manager.

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Share swap offered to Anglo Group investors

By Maggie Urry

MINORITY shareholders in Anglo Group, controlled by Sir James Goldsmith and Lord Rothschild's companies, are being offered shares in RHM, the food group in exchange for their Anglo shares. Anglo stressed yesterday that the offer did not change its intentions towards RHM, in which it indirectly holds a 29.3 per cent stake.

It was Anglo's Hoylake subsidiary which proposed a £13bn bid for BAT Industries last year. Anglo's indirect *holding in RHM is through* Sunningdale, its 35 per cent-owned company. Sunningdale bought the stake in May last year for £415m. Yesterday RHM shares closed at 347p.

If all the minority shareholders in Anglo – who own 24½ per cent of Anglo – took the RHM shares, Sunningdale's holding in RHM would only drop to 26.8 per cent.

Anglo said it "does not regard the holding in RHM as a passive investment." It is keeping "under review" the option of bidding for RHM, although up to now it has "decided not to pursue this course of action." It is also talking to RHM about co-operation on RHM's commercial strategy. Holders of Anglo's bonds are being offered RHM shares as well. Both groups of holders can take cash instead of RHM shares or retain their investments in Anglo. The cash offer is based on an RHM share price of 340p.

Political balance remains broadly unchanged by seasonal job move

Thatcher reshuffles ministerial team

By Michael Cassell, Political Correspondent

MRS MARGARET Thatcher, the prime minister, yesterday completed her sixth ministerial reshuffle in a year, leaving the government's political balance broadly unchanged but moving to foster greater unity among rank-and-file MPs.

There were no changes to the Cabinet, from which eight ministers have departed in the last year, and the seasonal, end-of-session exercise was almost entirely confined to redeploying responsibilities within her existing team.

Among the more notable promotions is a move for Mr Francis Maude, Minister of State at the Foreign Office, where he was responsible for European and far eastern affairs, to the Treasury. He will replace Mr Peter Lilley, the new Trade and Industry Secretary, as Financial Secretary.

He will be responsible for the detail of tax policy, for privatisation, and for some aspects of European policy.

Mr Maude, on the right of the ruling Conservative party, is replaced by Mr Tristan Garel-Jones, the deputy chief whip. Mr Garel-Jones has been in the whips' office for eight years. His views on Europe are expected to be close to those of Mr Douglas Hurd, the Foreign Secretary. His job goes to Mr Alastair Goodlad, already a whip.

The most surprising appointment involves the return to the whips' office of Sir George Young, the MP for Ealing Acton. Since being sacked as an Environment minister in 1986, Sir George has been a critic of the poll tax and of the decision to freeze child benefit.

Lord Hesketh arrives at Downing Street yesterday ready for a change of department

His appointment is seen as an attempt to help unite the parliamentary party as the government enters the critical, pre-election period. It might also help efforts to fend off another autumn challenge to Mrs Thatcher's leadership.

Among several new ministers of state are Mr Richard Ryder, who moves up at the Treasury to become Paymaster General. His job is taken by Mr John Maples, parliamentary private secretary to Mr Norman Lamont, the Chief Secretary to the Treasury.

Mr Tim Sainsbury moves from the Foreign and Commonwealth Office to be the third minister of state at the Department of Trade and Industry.

Lord Hesketh, formerly at the Environment Department, joins the DTI to speak on economic affairs in the Lords.

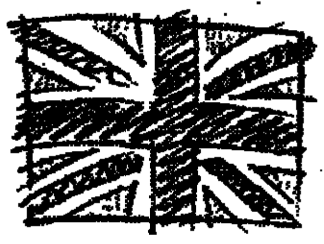
Mr Peter Morrison moves from the Energy Department to become Mrs Thatcher's parliamentary private secretary, replacing Mr Mark Lennox-Boyd, who becomes a junior minister at the Foreign Office.

The Energy Department – where Mr Colin Moynihan, the sports minister, becomes a junior minister – and the Employment Department each permanently lose a minister of state.

The Education Department team has been split up, with Mrs Angela Rumbold going to the Home Office and Mr Robert Jackson becoming a junior minister at Employment. They are replaced by Mr Tim Eggar, from Employment and Mr Michael Fallon, a whip.

Mr Robert Atkins, the transport minister, becomes sports minister. Mr David Mellor, the Home Office minister takes over from Mr Richard Luce as Minister for the Arts and Civil Service. Mr Luce and Lord Trefgarne, trade spokesman in the Lords, asked to leave the government, as did Mr Tony Durant after six years as a whip. Only Mr Peter Bottomley, the Northern Ireland transport minister and Mr Michael Neubert, junior defence minister, were dismissed.

BRITAIN IN BRIEF



Shell to upgrade oil refinery

SHELL, the Anglo-Dutch oil company, is spending £185m to upgrade its Shell Haven refinery in Essex. The project, scheduled for completion at the end of 1991, will create *up to 560 jobs on site.* during the peak of construction.

The investment is aimed at improving energy efficiency, reducing operating costs and enhancing the refinery's ability to handle a wider variety of crude oil for processing, and to produce products to higher levels of specifications.

The move is a response to the increased demand for oil products that are chemically lighter and cleaner – including unleaded petrol.

Success in biotechnology

The key to success in biotechnology is management rather than invention, according to a survey conducted among 25 executives of top European biotechnology activities.

European experience suggests more scope for individual initiative than in the US.

The survey concludes that biotechnology is set to become as widely implemented in the early decades of the next century as information technology is today.

The study, by management consultants Heidrick and Struggles International, identifies eight companies launched between 1880-87 and their chief executives as "clearly outstanding in capital, corporate partnerships, workforce, and product achievements."

They are the Agricultural Genetics Company, British Bio-technology, Celltech, Porton International and Xenova in Britain, Transgene in France, and Plant Genetic Systems and Innogenetics in Belgium.

Bosch signs union deal

Robert Bosch, the West German automotive equipment and electronics group, announed yesterday that it has signed a single union, no strike agreement with the EETPU electricians' union at the plant it is building near Cardiff.

The deal is the most significant single union deal signed by the EETPU since its expulsion from the Trades Union Congress nearly two years ago for refusing to withdraw from two single union agreements.

Forecast on private power

Scottish Hydro-Electric, one of Scotland's two power utilities, said yesterday it believed that only about five of the 40 or 50 proposals for *independent* power stations in Britain would come to fruition "in the short to medium term".

It was commenting following its decision not to become a shareholder in the Thames Power consortium which is planning to build a 1,000 MegaWatt gas turbine power station at Barking Reach, East London.

But it denied that it lacked confidence in the prospects for the Thames Power project, which, it said, had a very attractive site. Meanwhile, Canadian Utilities of Canada, through its CU Power Division, has formally agreed to take a 45 per cent stake in Thames Power.

EC regional grants for UK

European Community grants of more than £44m to help economic revival and job prospects in parts of Scotland, Humberside and mid-Yorkshire were announced in Brussels yesterday.

The money will go towards major Government schemes over the next three years to aid the regions through road and communications improvements, help for small businesses, and the development of tourism and vocational training.

The grants have been approved by Mr Bruce Millan, *the EC Commissioner* responsible for regional policy.

Woodlands plan announced

A £5m a year scheme to improve the environment of Britan's woodlands and open them up to the public was announced by the Government yesterday.

The new grants for the Management of Woodlands will cover 700,000 hectares of broad leaf woods and about 1m hectares of conifers. Half the country's woodlands would be eligible for the grants, which are aimed particularly at broadleaf woods. To be eligible, owners will be expected to improve public access and improve landscaping.

ISS purchase

ISS-International Service System, the Danish cleaning and security group, said its British subsidiary, ISS Darenas, had bought Pinnacle Hygiene Systems, a cleaning materials producer and supplier of Erith, Kent.

Miners to meet near Paris over international donations

By William Dawkins in Paris and Michael Smith in London

THE International Miners' Organisation (IMO) has called leaders of Britain's National Union of Mineworkers to a meeting near Paris today to try to clear up "serious misunderstandings" over the ownership of £1.4m of donations.

Mr Alain Simon, the IMO's secretary general is expecting to meet members of the 14-man NUM executive committee which last week sued Mr Arthur Scargill, NUM president, for return of the cash.

Mr Scargill, who is also president of the IMO, is due to be at the meeting, at a hotel near Charles de Gaulle airport.

Disclosure of the meeting came after miners' leaders in Mr Scargill's Yorkshire power-base passed a resolution urging their union to resolve the row over strike funds out of court.

The National Union of Mineworkers Yorkshire area council called for talks between the union, national officials, the International Miners' Organisation and "any other third party".

It called for a national conference to hear the results of the negotiations.

The NUM decided last week to sue Mr Scargill and Mr Peter Heathfield, union general secretary, in a bid to recover the £1.4m reportedly donated by Soviet and other miners during the 1984-85 pit strike.

Scargill: faces law suit

The move followed a three-month inquiry by Mr Gavin Lightman QC.

Mr Ken Homer, Yorkshire NUM general secretary, said: "Our delegates . . . realise that the national executive council had no choice but to take the present action, given the problems raised in the report and legal advice received."

Lawyers representing the NUM went back to the High Court yesterday following union moves last Thursday to sue Mr Scargill and Mr Heathfield for breach of trust.

At today's meeting in Paris the IMO aims to provide fuller details of why it believes that the £1.4m at the heart of the row was not meant, as claimed by the NUM, for the sole use of British miners.

"We proposed this meeting urgently to provide information. There are no secrets between union comrades," said Mr Madjid Charikh, an IMO official.

Mr Simon supports Mr Scargill's belief that the money was meant for miners across the world, and not just the NUM.

According to the IMO the funds under dispute are membership fees and donations from the 43 mining unions in 39 countries belonging to the institution. "Soviet miners have never paid money to the IMO to be passed on directly to British miners," said an IMO official.

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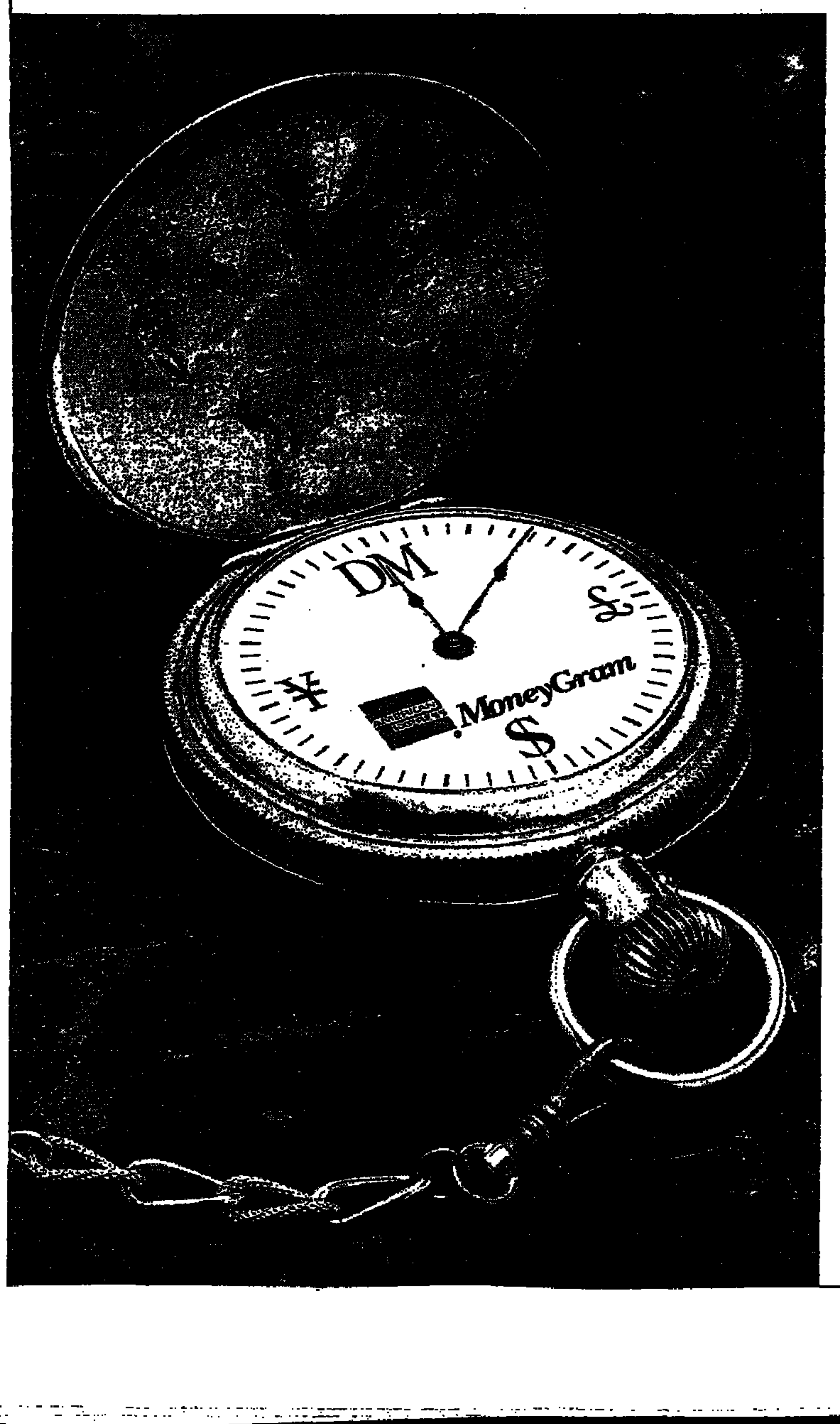

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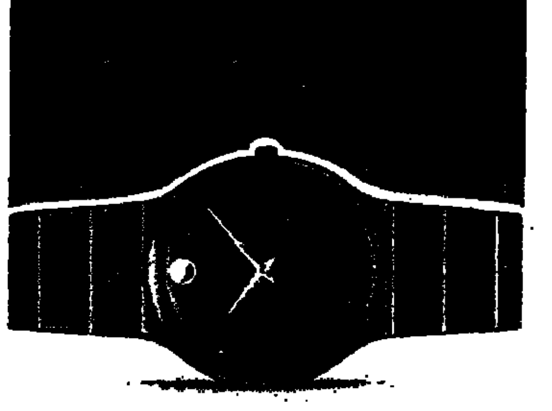

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UK NEWS

Telephone watchdog to investigate BT charges

By Hugo Dixon

THE WHOLE structure of the prices charged by British Telecom, the national telephone network, is is to be investigated by the Office of Telecommunications, Sir Bryan Karsberg, the watchdog's director general, said yesterday.

Although Oftel had earlier indicated that it would be looking at price rises announced by BT last week, Sir Bryan made clear that his investigation would go much wider than that. This is a result of BT's asking to be relieved of an undertaking not to increase its line rental charges by more than 2 per cent above the rate of inflation each year.

Sir Bryan said it would not be possible to look at BT's request for a waiver of this restriction without re-examining the whole of his agreement with BT on prices, which was concluded only two years ago. This deal, which was due to last until 1993, requires BT to cut the average price of a basket of its main services by at least 4.5 per cent after inflation – an agreement known as the RPI-4.5 formula.

Sir Bryan said his new investigation would not only look at whether BT was losing money on providing phone lines, as it claims, but whether its costs were too high as a result of inefficiency and if its profits on other services were excessive. "Judging whether the profits are huge or not is clearly one of the issues," he said.

The new investigation will be carried out in tandem with an existing Oftel probe into BT's international prices, which are currently unregulated. This may lead to the RPI-4.5 formula being replaced by a new formula which included international prices or to the creation of a new price cap for international services, Sir Bryan said.

Meanwhile, BT said the Government should allow no more competition in the telecom market unless it was given greater freedom to increase its rental charges. While saying it believed in free competition, it argued that the current pricing restraints allowed Mercury Communications, its rival, to concentrate on parts of the market where its prices were high, but to ignore less profitable areas.

The Vickers armoured repair and recovery vehicle ordered by the Army

Vickers' army order may raise chances for Chieftain contract

By Paul Abrahams

THE British Army yesterday formally accepted Vickers' armoured repair and recovery vehicle in a move which could improve the company's chances of winning the contract to supply a replacement for the Army's ageing Chieftain battle tank.

Sir David Plastow, chairman of Vickers, said the contract had "significant implications" for Challenger the company's candidate for the Chieftain contract.

The Chieftain replacement programme has attracted interest from a number of non-UK manufacturers. General Dynamics of the US is bidding to supply a version of its M1A2 tank. Krauss Maffei, the West German engineering and defence group which constructs the Leopard 2, is also interested in the contract. A late entrant is GIAT-Industries, the French state-owned company, with its advanced but unproven Leclerc tank.

Sir David said: "We believe our record on the armoured repair and recovery vehicle project will strengthen our position when tendering for the Chieftain replacement."

The £150m, five-year armoured repair and recovery vehicle project was completed by Vickers within specification, on time and on cost. It is also based on Challenger 2 engineering which would provide the Army with commonality of spare parts if the Government chooses the Vickers battle tank.

The Government is expected to decide on the Chieftain replacement by the end of the year. Originally, the contract was expected to be for about 600 tanks. However, this has been scaled down by the Ministry of Defence to between 350 and 300 vehicles, with an initial order of about 200.

The Challenger 2 prototypes already manufactured need to meet performance targets this September set by the Ministry of Defence if the Vickers' bid is to be taken seriously. The tanks have just successfully completed armour trials.

Vickers now has orders for 80 armoured repair and recovery vehicles. Production has started at the company's two tank factories at Newcastle and Leeds.

Observer, Page 22

Teachers' wage bargaining rights to be restored

By Norma Cohen and Alison Smith

TEACHERS' rights to negotiate their own pay deals, withdrawn three years ago, will be restored under legislation to be submitted to Parliament, Mr John MacGregor, Education Secretary, said yesterday.

The bill will differ little from proposals put forward by Mr MacGregor in April and which have been under consultations with teachers' unions and employers since then.

The final form of the machinery retains the most contentious aspects of the original proposal. These include the government's right to ultimately veto any pay deal which costs too much, the requirement that negotiations be concluded within a set time period and the ability of local governments to opt out of national pay bargaining, striking their own agreements with unions if they wish.

Significantly, the Government will not be allowed to veto locally negotiated pay settlements on cost grounds since it is the authorities which will have to come up with additional cash from poll tax receipts.

Since being revoked in 1987, teachers' pay has been determined by the Interim Advisory Committee, a quasi-governmental panel.

Meanwhile, Mr MacGregor also softened the Government's effective veto over pay pacts, saying that it would first urge the unions and the employers to amend any unacceptable settlement themselves. However, if no agreement were possible, the Government could impose its own terms.

New pay scheme gets bad marks

THERE MAY be more form than substance in the Government's proposal yesterday that local authorities be allowed to negotiate individual pay packages with their teachers unions, writes Norma Cohen.

Indeed, neither the Conservative-led Association of County Councils nor the Labour-led Association of Metropolitan authorities can decisively name a single member of their organisation which is certain to take up the Government's offer to opt-out of national pay bargaining for teachers.

Even more to the point, the Department of Education says it too does not expect many authorities to seek permission to opt out, at least initially. Local government officials say that when the DES met to discuss its proposed negotiating machinery for teachers, it made no special effort to convince them of the merits of opting out of national pay bargaining.

And those authorities that do will not be able to look to Whitehall for additional funds to help them meet their teacher shortages. Any incentive payments will have to be paid for out of money raised by poll taxes – and will be subject to charge capping if spending proves excessive. So with both labour unions and employers reluctant parties at the altar, what is all the fuss about? The opt-out proposal is part of a larger package aimed at restoring teacher's negotiating rights – revoked in 1987 after a series of bitter industrial disputes that seriously undermined public support for teachers. The five teachers' unions had sought to have teachers' negotiating rights restored, arguing that to do so would help turn the tide against the low morale plaguing the profession.

But the clause offering local authorities the option of separate pay deals angers all the unions as well as that of the employers federations.

The NUT was quick to seize upon the bidding aspect of regional pay deals. Mr Doug McAvoy, NUT general secretary, said his union plans to use regional pay pacts to "lever up" pay settlements nationally.

But what privately worries teachers is the fear that in areas where staff are plentiful, regional pay will mean less money. "If you were a history teacher, would you like it?" said Mr Stephen Byers, chairman of the AMA's education committee.

Ironically, the existence of a national teacher shortage has already prompted a wide range of local authorities to offer "sweeteners" to teachers, becoming a sort of informal regional pay structure working alongside the national agreement.

Exports falter but imports ride high

By Anthony Robinson, Economics Staff

THE RECENT UK export boom showed signs of slackening slightly last month but imports remained stubbornly high, according to official figures published yesterday.

The imports level held in spite of a 2.8 per cent drop in retail sales and an unexpectedly large dip in bank lending.

The latest trade statistics show that exports, at a seasonally-adjusted £8.6bn, were 3 per cent lower than May's record £8.9bn in value terms. Imports last month were 2 per cent down at £10.2bn to give a current account deficit of £1.4bn compared with £1.3bn in May. Invisible trade showed a projected £200m surplus, unchanged from May.

In volume terms, however, the visible trade picture looks slightly different, especially when trade in oil and erratics like aircraft and diamonds are stripped out of the calculations. On this basis, June exports were 0.3 per cent lower than May while imports were 0.5 per cent higher.

The Treasury, with its customary warning against reading too much into one month's figures, said that on a quarterly basis export volumes, excluding erratics, were 4 per cent higher than over the first quarter of this year and 12 per cent up on the same period of 1989.

On the same basis, import volumes in the second quarter were only 2.5 per cent higher than the previous quarter and 3.5 per cent up on the second quarter last year.

This contributed to a fall in the second quarter current account deficit to £4.3bn from £4.7bn in the first quarter.

Even so, the £9bn accumulated current account deficit over the first half of this year is still marginally higher than the £8.8bn of first half 1989 and running well above the Treasury's target of an overall £15bn deficit for this year.

The EC and other western European markets showed the strongest demand for UK exports while sales to the US market stagnated over the last quarter.

The seasonally adjusted value of exports to the EC rose 6.5 per cent in the second quarter to a level 20 per cent higher than the same quarter last year with a 27 per cent growth in exports to West Germany fuelling the expansion.

In contrast, imports from the EC by contrast rose only 0.5 per cent over the quarter to a level 7 per cent higher than the second quarter last year.

The import emphasis remained on consumer goods where demand rose by 3.5 per cent despite a decline in imports of passenger cars.

Electricity companies' debt put at nearly $2bn

By David Thomas, Resources Editor

THE Government disclosed yesterday that the 12 regional electricity companies to be privatised in November will have a combined debt of £1.94bn.

The figures give the first firm indication of some of the proceeds which will be raised by the sale of the electricity industry.

National Grid Company, which is responsible for the national transmission network and will be owned jointly by the 12 companies, will have a total debt of £501m.

The figures comprise two parts. First, the cash which the companies hold at present is being transformed into short-term debt, repayable in March and April next year.

Second, additional debt to be repaid over a longer period is also being injected.

The Department of Energy suggests that this longer-term debt, precise terms for which will be settled in September, could be refinanced in the bond market.

The market in the bonds of utility companies, such as electricity suppliers, is a well-established sector of the US corporate bond market.

PowerGen attracts power players

Maurice Samuelson on the bids expected for the electricity utility

A STRONG list of continental contenders was cited by analysts yesterday as prospective candidates for any sale of PowerGen, the public power utility which may now be sold as a single entity.

National Power, its sister company, provided the only positive reaction to the prospect of the sale to a private concern rather than to the people of Britain in a great act of popular capitalism.

A senior National Power executive said last night the company had followed the speculation of the last few days "with cautious optimism".

Both companies, which have inherited the non-nuclear power stations of the Central Electricity Generating Board, are to be sold in February 1991. National Power is expected to be valued at about £2.5bn and PowerGen at about £1.5bn.

There have been fears that demand for its shares might be blurred by the strong similarity between the two companies. If PowerGen was disposed of in a trade sale, like that referred to yesterday by Mr John Wakeham, the UK Energy Secretary, National Power would be able to write its prospectus differently, stressing the individuality of the company which already declares itself "the heart of the nation".

Apart from National Power [illegible] ity has

Hanson: lack of synergy

reactions, where they were forthcoming, ranged from cynicism to downright scepticism and bewilderment.

This was reflected in analysts' assessment of the likely interest or qualifications of Hanson itself and other possible bidders.

One analyst, said General Electricity Company was as well in a position to buy PowerGen as Hanson Trust.

For GEC it would provide an outlet for the turbines which it would like to sell in Britain.

The checklist of other possible bidders ranged from oil, chemicals and mining companies to heavy construction groups and specialised power plant suppliers.

for so long been the exclusive preserve of the Central Electricity Generating Board (PowerGen's parent body) few if any of the large British candidates were regarded as having the necessary experience to operate 40 per cent of the country's non-nuclear power stations.

Overseas, there would be no lack of experienced operators with the appropriate balance sheets.

In West Germany, for example, there are the two leading utilities – Rheinische Westfälische Elektrizitäts Werke and Veba.

However, both are busy moving into East Germany. Were either to acquire PowerGen, their share of the EC electricity market might become too big to be stomached by the European Community's competition directorate.

There are also big private utilities in the US and Japan, capable of running the PowerGen power stations. But it is difficult to imagine the British public tolerating overseas control of such a strategic, daily necessity as electricity.

Hence the preponderance of doubt in yesterday's reactions. Hanson Trust itself, said an analyst, might have the predatory drive to take over PowerGen, but not the appropriate synergy. Its experience, was all elsewhere – tobacco, bricks, quarrying, gold and coal mining.

Among other companies assessed were:

● Shell. It had considered building a power station at its Shellhaven refinery in the South East, another analyst said. But this was only a relatively small project, and it had recently appeared to retreat from it.

● BP. Like Shell and other oil companies, it sees the power industry as a new, large customer for North Sea gas. Vertical integration into electricity production would dramatically conflict with BP's current divestments of non-mainstream businesses.

● ICI, the country's largest industrial user of electricity, has offered its large Wilton site to a power station to be built and operated by a US electricity utility. It shows no sign of transforming itself from a chemical to an electricity company.

● Trafalgar House, through its John Brown subsidiary, has considered building a power station in the south-west. But spokesmen last night were unaware of any interest in PowerGen.

● BICC, the cables and electro-mechanical equipment group, is a 45 per cent partner in the Thames Power consortium to build a power station in East London. But any bid for PowerGen was "out of the question", an official said. "We are just not in that league".

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Cholesterol's number is up

A Do-It-Yourself check on blood cholesterol will be on sale from a London pharmacy later this week. High blood cholesterol is one of several risk factors which increase a person's chances of coronary heart disease. The Chemcard cholesterol test offers a simple, inexpensive method of telling whether the level is high enough to warrant seeking professional advice.

Chemcard is a US invention which has recently received approval from the US Food and Drug Administration for use by US doctors. The user nicks a clean finger with the lancet provided and squeezes out a drop of blood, letting it drip on to a test card.

Three minutes later a tab is peeled from the test card, revealing a coloured wheel. The colour develops during the next 60 seconds in six steps from light blue-green to dark gray-blue. This provides a semi-quantitative measure of blood cholesterol over the range from 150 to 300 milligrams per decilitre. A reading of 200 or less is rated low risk, and above 240 is high risk.

The simplicity of Chemcard belies the fact that it embodies a sophisticated immuno-assay which allows whole blood to be used as the sample. Its inventors, Chem-Elec Inc of North Webster, Indiana, have built in a cell separator as an integral part of the test card. In this way it can use the highly sensitive chromogen analysis for cholesterol commonly used in pathology laboratories.

The test will retail in Britain for £8.99. In the US, the FDA advises that it should be used only as a preliminary screen to help decide when laboratory analysis is needed. It should not be used as the basis for starting or changing drug treatment, it warns.

"It's the most innovative over-the-counter idea this year," says Arvind Gautama, the pharmacist who manages John Bell & Croyden, the London pharmacy where the kit will be sold initially. His shop is the flagship of about 90 pharmacies in the Macarthy healthcare group, and the one where innovative ideas and services are first tried.

Gautama found Chemcard through an American customer, negotiated exclusive UK rights and designed a kit for over-the-counter sales in Britain. He also commissioned an independent check on its accuracy from Queen's University, Belfast, which is soon to be published in the Pharmaceutical Journal.

His pharmacy has almost 200 years of history of serving specialised needs of both doctors and patients. A recent £1m refit has expanded John Bell & Croyden into a modern medical centre which explores public reaction to the latest medical technology and diagnostics. It offers consulting services in such diverse specialities as hearing problems, pain relief and hair transplants.

In planning the refit Gautama investigated the ergonomics of relations between customers and specialists in order to bring them together. No longer are pharmacist banished behind glass in a remote dispensing area; they greet customers at the front of the shop.

"I've never found anything like it in my travels," claims Ian Parsons, chairman of the Macarthy group, who talked of creating "the Harrods of healthcare" when he first authorised the refit. "I was determined to make the pharmacist the hero." It meant dropping many peripheral lines into which the store had strayed, and focusing on healthcare, health food and diets, and "bodycare".

Diagnostic tests such as Chemcard will become an increasingly important part of retail pharmacy, Parsons believes. John Bell & Croyden already sells OTC pregnancy and glucose diagnostics, as well as blood pressure monitors.

In Gautama and his team of specialists Parsons sees a mechanism by which he can evaluate both the latest medical science and the market – as well as any Government reaction – to new medical technology.

He can also determine the best way of presenting it to customers before the product or service is made generally available throughout the group's pharmacies.

David Fishlock

In the first of two articles, **Della Bradshaw** looks at Gillette's approach to implementing a standard European computer system in the run-up to 1992

Sharper tactics to gain the edge

With 1992 just two years away, one of the biggest tasks facing European companies is to find the computer support to help them flourish under new single market conditions.

The task can be awesome, particularly for those just beginning the challenge. "Most information technology departments are having problems supporting their business on a national level. How do they take on board Europeanisation?" asks Miranda Park, of management consultants Arthur D Little.

For companies which spotted the opportunities and the challenges early, such as the European arm of Gillette, the US company famous for its razors, toiletries and stationery, many of the information technology hurdles have now been vaulted. Gillette has determined its corporate IT strategy and already put about half its computer systems in place.

When the company took up the technology issues in October 1984 a prime objective was to get better value for money. But if that had been the sole aim it would already have been achieved, says Derek Munson, Management Information Services (MIS) manager for Gillette in Europe.

The second, and more fundamental, aim was to standardise the administrative functions of the European operations to control costs and get better management information.

Until 1984 Gillette's European operations had concentrated on "home produced" software, developed for each of its local companies. By 1992 Munson estimates that the lion's share of the software will be common across the operating companies. "It's not a question of 'commonality for commonality's sake,'" he emphasises. "You only want it if it gives you an advantage."

For Gillette in Europe commonality means the simplification of administration and the easy accessibility of management information. Munson can sit at his terminal in London and find out how many razors, say, were sold yesterday in France or West Germany.

The company's seven major European centres use the same sales and ledger package. Salaries and other personnel payments are reported using the same codes, enabling employees to compare benefits, like for like, across the company.

When devising the strategy Munson realised he had four choices.

- To keep the existing hardware – largely IBM370 mainframes – and introduce new software, rejected because the company wanted hardware that was easier to use.
- To go for facilities management, where all computing work was handed over to a third party company to operate on Gillette's behalf. That was rejected because of the size and complexity of the project.
- To set up one new, centralised data processing office somewhere in Europe.
- To replace the aging mainframe computers with IBM System 38 mid-range systems (now superseded by the AS400), network them together and use that as a platform for developing standard software.

When Munson's opted for the last course it was a decision prompted by "philosophy" and technology. In terms of corporate culture Munson felt Gillette needed to have the computer power "where the action was". But, he concedes, "there are several 'right' solutions to these sort of issues. You have to take the one that's right for your culture."

In terms of technology Munson realised that by networking the newly launched IBM System 38 mid-range computers together he could achieve both his prime aims: cut costs – in the long term software costs on the System 38 would prove less expensive than the existing mainframe option – and standardise the software.

The System 38 and AS400s, he explains, are much simpler to use and they have a good database package, useful for a management information system.

Another company that followed the same route to standard hardware which could be used as a platform for standard software is the UK chemicals company ICI. It has four European computer centres, three in the UK and one in Holland, running on IBM and Digital Equipment hardware and linked by high-speed digital lines. Each runs different applications, but when employees in France, say, or West Germany, switch on their terminals they see a common menu enabling them to dip into applications held on computers in any of the four centres – as if the computer were in the next room.

ICI had favoured the installation of one large computer on a single site, says Eddie Reynolds, head of computing and telecommunications. "In general, the bigger you make a computer centre the better the economies of scale," he reports. However, the company decided that there was an optimum size for a monolithic computer centre, and the amount of data that ICI needed to process exceeded this. As a result Reynolds decided the most practical solution was to distribute the applications across four sites.

Because of the need to set up and support computer systems on a number of sites, Park believes the decentralised approach is technically difficult to achieve. There is also the issue of software support: a software package may be supported, say, in West Germany, but not in France or Holland.

But it can prove more successful in keeping staff happy. "Staff resources are at a premium throughout Europe. If you say to your divisions that you're going to set up a huge data processing centre in, say, France, then your staff in Belgium, West Germany and the UK will begin to drift."

Keeping Gillette's European staff happy was one of Munson's priorities when he was put in charge of the Gillette project in 1984. He began by involving top management from the big European operations and set up working groups for each of the major business functions – accounting, for example, and order processing – involving senior users as well as technical staff.

The first nine months involved defining the main programme, including the change in the computer hardware platform. This was given the support of senior European management in autumn 1985. To continue the staff involvement Munson made each of the local MIS managers responsible for specific applications areas.

All was not plain sailing, however. To begin with, software packages were difficult to find that would meet the needs of the company's five big European markets – the France, Italy, Spain, the UK, and West Germany. Eventually Gillette chose to buy in financial software from Dun & Bradstreet and manufacturing software from Marcam, of the US.

Then there was the sheer volume of different ways of doing things. Not only did many Gillette companies give different names or codes to products, but separate external numbering systems in each country compounded the problem. "Typically we had as many as 18 codes on a pack of razor blades," reports Munson. As he points out, determining common coding for product lines inside the company is within the organisation's control; changing the coding used in the retail trade is not.

Accounting proved a particular headache, as payment practices changed from country to country. Munson cites bank drafts, a customary method of payment in Mediterranean countries but generally not used in northern Europe.

So, too, different countries have different retailing traditions. "In Italy there are thousands and thousands of 'Mama and Papa' (corner) shops. But cross the Alps and you have the huge French hypermarkets," says Munson.

ICI was in a similar quandary, with different operations across Europe requiring unique software, says Reynolds. "We have to provide flexibility for the business need, but where we can we want to do that on a standard platform," says Reynolds. "Variety means cost."

The second article will appear tomorrow.

Ringing in global networks

THERE ARE no golden rules to setting up a successful global telecommunications network, according to a report from management consultants KPMG Peat Marwick McLintock, which involved more than 70 international companies that were in the process of installing their own phone networks across the world.

"When we set out we thought we would find similarities between the way companies in each of the four major sectors – financial services, manufacturing, transportation and communications – approached it," reports Chris Wilmott of KPMG. Instead, diversity rules.

The only similarity between the 46 case studies in the report is that they all link their business and technology strategies closely together.

The 46 companies in question range from NEC and Sony of Japan, to three Australian banks, a clutch of US-headquartered computer companies – Apple, Digital Equipment and IBM – and a varied group of European manufacturing and service companies. Some have operations in just three countries, others in 130, while some do just 4 per cent of their business outside their home country, others do 80 per cent. The largest had annual phone bills of more than $100m.

Many have had a global networking strategy since the early 1980s and are now beginning to reap to benefits. Wilmott quotes the example of one company that set itself a target of cutting its worldwide telephone bill by 50 per cent. So far it has achieved a 40 per cent cut.

Another predicted its phone bill would grow from $17m to $33m over five years using ordinary phone services. By installing its own global network it planned to maintain the costs at $25m.

One of the few areas of unanimity among the companies came in their attitudes to the services provided by the international phone companies – a resounding thumbs down. "They took the view that the carriers can do a great deal more to improve the quality of their services," says Wilmott.

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6. Bondholders who have not already done so are requested to provide the Trustee or the statutory managers financial advisers J.P. Morgan at their offices detailed below, with contact and holding details.

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FT LAW REPORTS

Insurers not liable for defrauded banks' losses

BANQUE FINANCIERE DE LA CITE SA v SKANDIA (UK) INSURANCE CO LTD
House of Lords (Lord Bridge of Harwich, Lord Brandon of Oakbrook, Lord Templeman, Lord Ackner and Lord Jauncey of Tullichettle): July 19 1990

INSURERS owe no duty to the insured to inform him of his agent's past misconduct which has since been remedied. And although loan insurers could have foreseen that their failure to expose an earlier issue of fraudulent cover notes by the lender's broker might result in its repetition and that the lender might advance money on the security of non-existent insurance, no damage is suffered as a result of loss of cover if the policy, had it been effected by the broker, would have contained a fraud exclusion clause and would have been invalidated by the borrower's fraud.

The House of Lords so held when dismissing an appeal by the plaintiff, Banque Financiere de la Cité SA, formerly Banque Keyser Ullman SA (Kusa), from a Court of Appeal decision that the second defendants, Westgate Insurance Co Ltd, formerly Hodge General and Mercantile Insurance Co Ltd (Hodge), were not liable in negligence for loss to the bank on a loan to a fraudulent borrower. The first defendant, Skandia (UK) Insurance Co Ltd, was not involved in the appeal.

LORD TEMPLEMAN said that by an agreement dated January 23 1980 Kusa and two other banks agreed to advance Ultron, a Liechtenstein company, SFr26.25m for the purchase of Spanish companies which owned and developed a property in Menorca named Shangri-La.

The loan was for two years with interest, and was to be made after delivery of guarantees, including the pledge of gemstones valued at SFr95m and an insurance for SFr37m guaranteeing payment in the event of default. Ultron was controlled by a Mr Ballestero.

Kusa appointed insurance brokers, Ernest A Notcutt & Co, to arrange the insurance. Notcutt's employee, Mr Lee, arranged insurance in three layers.

Primary cover was limited to SFr9.25m. Hodge was the sole insurer. The first excess layer, covered by a number of insurers, was limited to SFr9.25m. The second excess layer, also covered by a number of insurers, was limited to SFr18.5m.

The three insurances together provided the SFr37m cover required by the loan agreement. The cover notes in respect of the first and second excess layers were fraudulent.

Negotiations between Hodge as insurers and Mr Lee, representing the banks, were undertaken by Mr Dungate, a Hodge employee. Mr Dungate was not aware in January 1980 that two of the cover notes issued by Mr Lee were fraudulent.

On January 28 the banks were induced by the three cover notes to advance SFr26.25m to Ultron. Mr Lee proceeded to complete the insurance. By June 11 the banks were fully covered by insurance for SFr37m.

In May and June 1980 Mr Dungate discovered that full cover for the first and second excess layers had not been obtained before the advance was made on January 28. He satisfied himself that full cover was obtained by the middle of June but did not report to the banks that their agent, Mr Lee, had issued false cover notes.

On June 24 Hodge agreed to amend the primary insurance. The loan was increased to SFr47m. That was accepted by insurers for the first and second excess layers. The amendment enabled the further advance to be made, protected by the existing insurances and by a third excess layer insurance for loss exceeding SFr37m up to SFr47m.

On August 28 Mr Lee issued a cover note certifying that the third excess layer had been insured by an American insurer. The cover note was fraudulent because the American insurer was either a bogus company or had not effected reinsurance with reputable reinsurers.

Mr Dungate was not aware that Mr Lee had issued a fraudulent cover note in connection with the third excess layer.

On September 2 three further banks advanced SFr10.75m to Ultron. They were entitled to share in the security of the gemstones and insurance, by agreement with Kusa. By March 18 1981 the aggregated amount advanced totalled SFr80m.

In the second half of 1981 Ultron defaulted on interest and it was revealed that Shangri-La was a myth, that the gemstones were baubles of little value, and that Mr Ballestero had dissipated and embezzled the assets of Ultron and his other companies.

The banks claimed under the first primary cover and first and second excess layers, and endeavoured to claim under the third excess layer. Each insurance contained a fraud exemption clause which defeated the claims, because they had been caused by Mr Ballestero's fraud.

The banks sued all the insurers. They sued Hodge and Skandia for negligence and breach of duty. They sued Notcutt and Mr Lee for fraud.

Before trial the banks and Notcutt settled. At the trial the banks abandoned their claims under the policies. Mr Lee's fraud was proved. There was no connection between his and Mr Ballestero's fraud.

Mr Justice Steyn found for the banks. He gave judgment against Hodge, Mr Dungate's employer down to October 1 1980, in respect of loss on the loan advanced in September 1980; and against Skandia, his employer after October 1, in respect of subsequent loans.

Hodge and Skandia appealed. Skandia withdrew its appeal. Hodge persisted.

The Court of Appeal reversed Mr Justice Steyn's decision and dismissed the actions against Hodge. Kusa now appealed.

Kusa submitted that Hodge, as insurers, owed the banks, as assured, a common law duty of care in negligence. It also submitted that Hodge as insurers owed the banks, as assured, a duty of utmost good faith. It asserted that Hodge, through Mr Dungate, committed a breach of the duties owed to the banks when he discovered but failed to disclose his knowledge that Mr Lee had issued fraudulent cover notes in January 1980. The damages claimed were the SFr10.75m advanced to Ultron on September 2 1980.

The first objection to the cause of action based on negligence at common law was that Mr Dungate did not owe a duty of disclosure.

Mr Dungate did not by his silence assume any responsibility for Mr Lee's future trustworthiness, and the banks did not rely on his silence as representing that Mr Dungate believed Mr Lee to be honest.

It would be strange if in those circumstances one party to a contract owed a duty in negligence to the other, to warn him of his suspicions of former misconduct by that other party's agent. It would be stranger still if the party who failed to disclose his suspicions were liable in damages for the misconduct of the agent.

The judge held that Hodge and Notcutt would have been under a legal duty to report Mr Lee's misconduct to the banks even if remedied by completion of the first and second excess layers.

That was not correct. A professional should wear a halo but need not wear a hair shirt.

The second obstacle confronting the banks was that their losses were not the consequences of any breach of Hodge's duty of disclosure.

If Mr Lee's fraudulent conduct in January 1980 were not exposed, the banks might again be induced to advance money on the security of non-existence insurance. That was foreseeable.

But if the banks' claim for policy moneys was not valid they had lost nothing because they would not have recovered the moneys even if Mr Lee had effected the insurance. Hodge was not liable for a loss which the banks did not incur as a result of Mr Lee's fraud.

The banks suffered no damage from the absence of excess layer insurance. A claim under that insurance, which contained a fraud exclusion clause, would not have succeeded because it would have been caused by Mr Ballestero's fraud.

No moneys could have been recovered under such a policy and accordingly no damages were suffered by the bank as a result of Mr Dungate's silence.

The damages suffered by the banks were the consequences of Mr Ballestero's fraud, not Mr Dungate's silence.

The appeal was dismissed.

Their Lordships agreed.

For Kusa: Jonathan Sumption QC and Mark Hapgood (Hopkins & Wood).

For the insurers: Sidney Kentridge QC and Jonathan Gaisman (Richards Butler).

Rachel Davies
barrister

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Partnerships

A taste for co-operation

Charles Batchelor continues his series by examining cross-border liaisons, which can be fruitful but may be time-consuming to set up and have a very high casualty rate

CETRA, a small French designer of printed circuit boards, is keen to find a British partner to make and distribute a micro connector which it originally developed for its home market. Oxley Developments, a British manufacturer of electronic components, wants to add a connector of the sort developed by CETRA to its own range of products.

Thanks to a co-operation programme launched earlier this year by the département of Essonne, south of Paris, CETRA and Oxley, which has a workforce of 350 and turnover of "several million" pounds, may pool their resources. Geoff Edwards, managing director of Oxley, which is based in Ulverston, Cumbria, has met his counterpart at CETRA for talks and hopes to conclude a deal within the next few months.

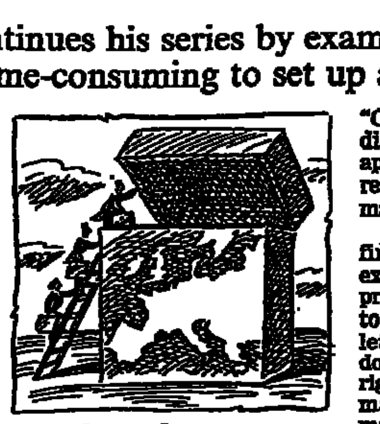
"Their engineering is excellent," says Edwards admiringly. "I was amazed at how keen they were to reach agreement."

The organisers of the Essonne initiative, the departmental Economic Development Board, are hopeful that many more of the 25 French companies involved will find British partners. Two agreements have already been reached and a further 10 could be signed by the end of September, says Marc Franc de Ferrière, a consultant involved in the project.

But even if the Essonne initiative does not achieve its ambitious targets, smaller firms throughout the European Community are developing a taste for cross-border co-operation which appears to belie surveys showing a low level of preparedness for the single European market in 1992.

Many of the agreements reached involve no more than signing up agents or distributors (see table) but a growing number of companies are coming to technology transfer agreements, joint venture deals and production accords.

More than 22,000 small and medium-sized companies seeking international partners filed requests to the European Commission's Business Co-operation Network in the two years to June 1990. The network consists of 460 advisors – private consultants, chambers of commerce, development authorities – throughout the community who log their client's business profile with a central computer for matching with potential partners.



Opening up in Europe

Computer matching can be notoriously hit and miss and the commission has not yet started to monitor success rates but it estimates that several hundred businesses have found partners.

Interest in establishing cross-border links has been fuelled by fears that the European market will become much more competitive in the 1990s, with fewer opportunities for smaller companies to shelter in national niche markets. In addition, the cost of new product development and the shortening of product life-cycles mean that it makes sense to find partners to share expenses.

Creating partnerships does however require small firms to devote considerable time and effort to the process. Oxley Developments has in the past licensed technology from other companies but, despite being what Geoff Edwards describes as a "technology-rich" company, it has yet to licence its own technology to others. "We probably should exploit it more," he says.

Building international links also requires small companies to take a longer-term view than many are used to doing. "Small businesses often have no strategic plan," says Wilma Garvin, manager of the Essex Export Agency, a consultancy. "Companies tend to choose a distributor or an agent who approaches them rather than researching the market before making a commitment."

Simply responding to the first distributor exposes the exporter to the risk that his product will not be marketed to the most appropriate outlets. If a consumer product does not hit the market in the right way it may end up on market stalls which would make it difficult later to sell it to department stores.

For more complex goods, close links with the distributor are essential, says Nick Mavrikakis, chief executive of Molynx Holdings, a publicly-listed manufacturer of security systems and energy management equipment. Good distributors must be cultivated – it is not enough to send out your products and back up literature, he says. Molynx insists on training one member of its distributor's staff so he knows the product well while Mavrikakis also believes in visiting customers with the distributor.

Even companies which are aware of the need to develop a long term strategy can be overwhelmed by the day-to-day needs of their business. Peter Massey, managing director of Windsor Creameries, a Pembrey, Dyfed company, is keen to follow up an approach from a Belgian confectioner for Windsor to supply ice-cream fillings for his gateaux but the hot summer has meant he has had to concentrate his efforts on keeping up with immediate demand. "The sun is shining and we are concentrating on the British market," says Massey.

Windsor made initial contact with foreign potential partners through Europartenariat, an annual two-day event devised by the European Commission which enables smaller companies from a particular region to meet potential partners from elsewhere in the community. The most recent event, held in Cardiff last month, resulted in at least a quarter of the 170 participating Welsh companies making arrangements to visit potential continental partners.

As part of an attempt to make it easier for small firms to establish cross-border links the European Commission has created the European Economic Interest Grouping (EEIG). This is a legal formula which allows companies from more than one community country to establish a joint business venture.

The grouping is intended to be a simpler and more flexible way of setting up joint ventures and to avoid the need for the partners to choose a particular set of national laws – likely to be unfamiliar to at least one of them – to govern relations between them. The partners are not obliged to contribute capital to the company and there is no requirement either for formal meetings of members or the filing of annual reports or accounts. The EEIG itself pays no taxes; profits are shared among the partners and taxed in their hands. A drawback is the absence of limited liability.

The EEIG concept has been slow to catch on, partly because some member states delayed introducing local legislation to allow them and partly because businessmen and lawyers were suspicious of it. Only 85 EEIGs had been registered by the end of last month, including 43 in the Netherlands, 14 in Belgium, five each in West Germany and France and three in Britain.

L to r: Leo Gibson, Jim Braithwaite and Bruce Lang. Creating a cross-border partnership in computer-based training

Numbers are on the increase, however, and will shortly include European Partners in Communication, a grouping of three companies engaged in interactive, computer-based training. European Partners comprises Epic Interactive Media (the largest member with £700,000 sales and a workforce of 14 people) of Brighton in the UK, Lang Learning Systems of Brussels and Mentor Consultants of Dublin. An Italian partner may join later.

"We wanted a way of getting into Europe which didn't involve risk or complicated and expensive legal agreements," says Epic's Jim Brathwaite. "It is a very simple arrangement which will allow us to hit the ground running." The partners can also get to know each other better before considering the possibility of establishing closer links later.

But even if the EEIG takes off it is unlikely to suit the needs of more than a small percentage of European companies. Most will continue to tailor co-operation agreements to their specific needs.

VSW Scientific Instruments, a Manchester-based company with sales of £5m and 100 employees, hopes to negotiate a co-operation agreement with Sofie Instruments, an Essonne company, which makes a complementary range of equipment. VSW, which makes instruments for analysing surfaces, wants to start by distributing Sofie's products in Britain and Scandinavia, where it has a sales subsidiary, but is also interested in collaborating on the development of new products.

Page Aerospace, part of AB Electronic Products, a publicly-quoted UK company, is discussing collaboration with Britec, another Essonne company. Britec, which is only 15 months old, has developed a range of aerospace products including a helicopter homing beacon which is of interest to Page.

Britec, which employs only 10 people, is keen to find production partners for the equipment it is developing but which it cannot make itself, says Louis Michel Briatte, managing director. "Time is very important when you are bringing new products to market so we want to act quickly," he notes.

But deals should not be put together with too much haste, the experts warn. Co-operative deals between smaller companies depend very much on the personal relationships. Joint ventures have a very high failure rate – more than 80 per cent, some studies suggest – so signing the deal is only the first step.

Previous articles in this series appeared on July 10 and July 17.

Most popular forms of links sought through EC's Business Co-operation Network*

Rank	Form	%
1.	Request for distribution services	18.12
2.	Request for agency	9.59
3.	Offer to provide distribution services	5.49
4.	Creation of joint enterprise	5.09
5.	Reciprocal distribution agreement	5.03
6.	Reciprocal marketing agreement	4.91
7.	Offer to sell whole/part company	4.45
8.	Sub-contractor offers facilities	3.85
9.	Reciprocal technological co-operation	3.57
10.	Offer to provide agency	3.09

*Figures for June 1990 Source: European Commission

Real growth costs

Buying up a smaller high-technology company with attractive research or products is a popular method by which large companies grow. A soon-to-be published study* suggests, however, that large companies significantly under-estimate the management time that is absorbed by acquisitions and that in many cases organic growth would have been more effective in the long run.

Interviews with senior managers of 35 companies which made acquisitions showed they tended to react to opportunities rather than take the initiative by making unsolicited approaches. They were often prompted by unrealistic City expectations of growth rates higher than ones which could be attained by organic growth.

Senior managers spent a disproportionate amount of time reviewing purchases suggested by merger brokers, most of which were unsuitable.

Once they had made the acquisition the purchaser rarely evaluated performance in a systematic way. Although projections of expected results were formulated during the evaluation stage these were often ignored or modified once the acquisition had been completed.

Forty four per cent of the purchasers encountered unexpected draw-backs after making the acquisition. Of these half required additional funding while almost half were found to suffer from ineffective management controls.

Surprise benefits were experienced in only 27 per cent of deals, split evenly between unexpected synergies, better than expected technical skills and better financial performance.

Many of the unexpected drawbacks and benefits occurred in areas which the acquiring company had overlooked because they were not key to the acquirer's plans.

The study suggested four rules for success: formulate and implement a long-term strategy; be realistic about the drain on management time; concentrate on internally-generated suggestions for acquisitions; and involve external advisers who will not be emotionally involved in the deal.

**Acquiring Technology-Based Small & Medium-Sized Enterprises. Research by London Business School for Korda & Company, a consultancy and venture capital firm. From Korda, 18-20 Farringdon Lane, London EC1R 3AU. Tel 071 253 5882. 22 pages. £85 + VAT.*

Charles Batchelor

Independence for blind

Mervyn Woods was an architect before he went blind about 10 years ago. Now he runs a computerised language translation agency which is based in Northern Ireland but supplies services to companies mainly in London.

Like many other people in his position, he decided to start his own business rather than go for a job that might result in his skills and intellect being under-used. A number of the 21 people who form his "tele-commuting" network, called Euro Express, are also blind or partially-sighted.

Business advice to enable Woods to get the business off the ground came from a small business unit run by the Royal National Institute for the Blind. In fact, Woods' idea won an RNIB best business plan award two years ago.

In order to provide a more comprehensive service for other visually handicapped people in Woods' position, the small business unit has opened a northern office, based in Darlington. An "enterprise fair" was recently held in Newcastle attended by over 400 people.

Both the London and Darlington-based offices are able to offer free advice on compiling a business plan, market research, premises, marketing, and special equipment available to visually impaired people. A braille tape and large print edition of the Training Agency's Business Plan Workbook for self-employed people has also just been published.

The RNIB publishes a business newsletter and fact-sheets, has a small library and provides support to the independent self-help Blind Business Association.

Further information on the RNIB Small Business Unit from, 224 Great Portland Street, London W1N 6AA. Tel: 071-388 1266.

Diane Summers

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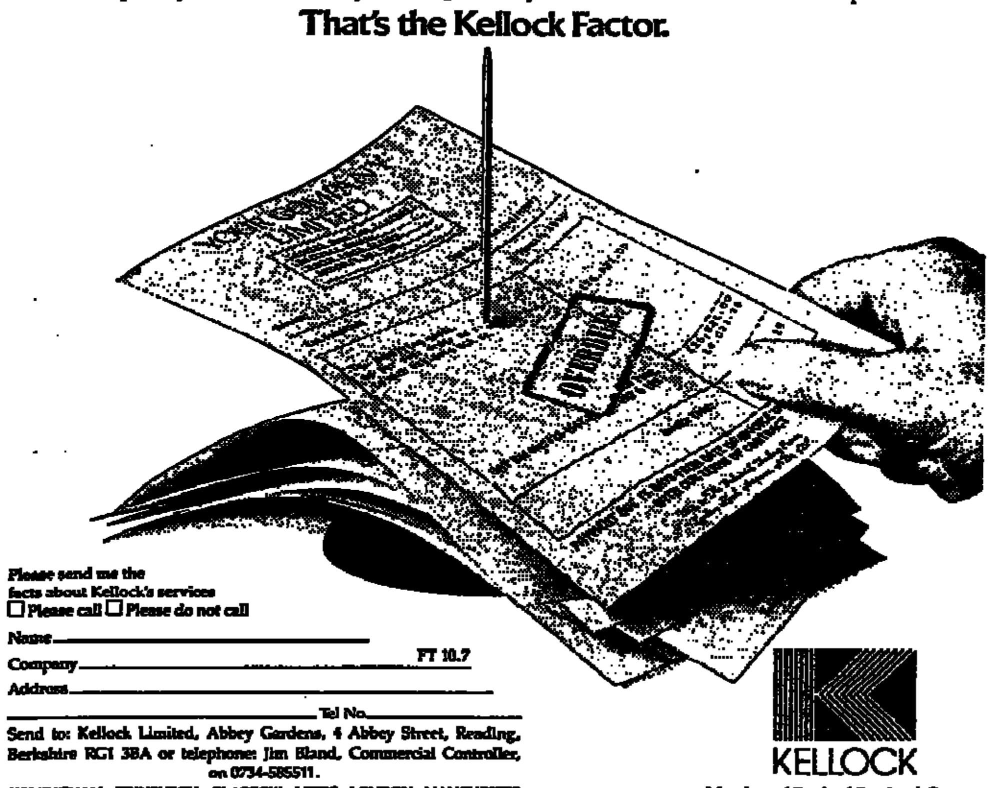

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A well established Building Services company wishes to extend it's electrical activities by acquiring an existing company, in the East/West Midlands area, with electrical design facilities and the capability of handling contracts in the £300k region.

Write Box H7019, Financial Times, One Southwark Bridge, London SE1 9HL.

LEASING SUBSTANTIAL FINANCE COMPANY

with suitable tax losses is interested in acquiring for tax shelter good quality lease assets maturing over a maximum of next four years. Minimum p.v. £5m.

Write Box H7026, Financial Times, One Southwark Bridge, London SE1 9HL.

SMALL COMPANY ACQUISITION REQUIRED BY SUBSTANTIAL SOUTH COAST ENGINEERING COMPANY

Criteria: £½ M to £1½ M T/O, prof with own product and some overseas sales.

M.D. to join Main Board re-located in our large factory. Please write initially to W.D.C. 288 Christchurch Road, Ringwood, Hants

An oil and gas service company is seeking to acquire a company with assets of negligible value capable of ready realisation to produce capital tax losses of not less than £3m.

Write to Box No. H7005, Financial Times, One Southwark Bridge, London SE1 9HL.

SERVICE CONTRACTS

PLC Finance and Services Group want to acquire 3 companies operating in the computer industry as soon as possible. Ideal targets will be PC Resellers with reputable maintenance service contract base and other value added services.

Proposals will be dealt with on a cash purchase basis.

Please reply in confidence to Box No. H7004 Financial Times, One Southwark Bridge, London SE1 9HL.

PLC WITH USM LISTING SEEK ACQUISITION/MERGER OPPORTUNITIES IN PHOTOGRAPHIC FIELD

Specialist commercial photographic equipment manufacture located south of England seeks potential acquisition prospects and/or merger partners in allied fields.
Utmost confidentiality assured.

Write to Box H7023, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESSES FOR SALE

Touche Ross

Newvern Products Limited
(In Administrative Receivership)

The business and assets of the above company are available for sale.

- Manufacture of laminated MDF profiles for DIY and building trade.
- Modern plant and equipment.
- Extensive stocks.
- 20,000 sq. ft. leasehold factory close to M4 South Wales.

For further information please contact the Joint Administrative Receiver, R.G. Ellis at the address below.

Blenheim House, Fitzalan Court, Newport Road, Cardiff CF2 1TS.
Tel: 0222 481111. Fax: 0222 482615

Member DRT International

Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Mechanical Handling Equipment Manufacturers

Business and assets of C. J. R. Fyson & Son Ltd. and Trojan Limited for sale as a going concern.

- Specialists in static and mobile conveyors for handling loose bulk materials.
- Established on the present 1 acre freehold site for 140 years, near Ely, Cambs.
- Fully equipped single storey factory area 1670m².
- Office and CAD-equipped drawing office area 345m².
- Average annual turnover £3 million.

For further details contact the joint administrative receivers: Neil Cooper and Ipe Jacob

ROBSON RHODES

186 City Road, London EC1V 2NU
Telephone: 071-251 1644 Telex: 885734 Fax: 071-253 4629
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

FOR SALE

Equipment for production of surface mount boards. Includes Dynapert Microplacement system, Infa red Reflow Tunnel, DEK Solder Paste Printer, computers, etc. Vendor would prefer to sell as complete package. Leashold premises are available in South Devon if required. Enquiries/offers to

Box H7007, Financial Times, One Southwark Bridge, London SE1 9HL.

PUBLIC COMPANIES FOR SALE

FIRST EUROPEAN CONSULTING Plc
FIRST LONDON CREDIT Plc
ECU BOND MANAGEMENT Plc
(Or your choice of name & objects)

Trading certificate for immediate borrowing and trading

£800

CORPORATE REGISTRARS
Tel: 0222 382115 Fax: 0222 382118

E Klempka and M J Moore as Joint Administrative Receivers of

Gregorys Medical Agency Limited

Offer for sale the business, goodwill and trading assets of one of the largest Locum Medical Agencies specialising in doctors in the United Kingdom.

- Extensive customer list, including tenders and exclusivity agreements
- Turnover in excess of £5,000,000 per annum
- Register of 12,000 locum doctors
- Five leasehold branches operating nationwide
- Further nine leasehold properties available
- Comprehensive computer software packages

For further details contact Edward Klempka or Stephen Penn of Cork Gully, Albion Court, 5 Albion Place, Leeds, LS1 6JP Tel (0532) 457332 Fax (0532) 434567.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

WALLPAPER MANUFACTURING BUSINESS

The assets and trade of Fabrelle Wallcoverings and Textiles Limited are offered for sale as a going concern.

The Company, which is based in Bedwas near Newport, Gwent, and occupies extensive freehold premises at 3 sites on the Pant Glas Industrial Estate, specialises in the design and manufacture of all types of wallcoverings:

- Annual turnover £7m
- Complete range of wallcovering processes – flexo, vinyl, blown vinyl, chemically embossed and flock
- Self contained flexo operation based in leasehold premises in Northern Ireland
- Strong export customer base (U.S. and Europe
- Extensive design range
- Modern blown vinyl line
- *Highly skilled workforce*

Interested parties should contact the Joint Administrative Receivers: Tim Hayward and Barry Mitchell

KPMG Peat Marwick Corporate Recovery
Marlborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE. Tel: 0222 462463. Fax: 0222 481605.

CIVIL ENGINEERING AND PLANT HIRE COMPANY

Turnover £1.5m. Excellent long-term prospects. Freehold Offices, and Workshops and Modern Plant Fleet. Based in South Wales. Principals only are invited to write for further details.

Write to Box No: H7020 Financial Times, One Southwark Bridge, London SE1 9HL

ELECTRONIC SECURITY BUSINESS FOR SALE

Turnover - £½ Million plus
Principals Only.

Write to Box NO H7011 Financial Times, One Southwark Bridge, London SE1 9HL

WEST KENT.

SUPERB RESIDENTIAL CARE HOME. REGISTERED - 23. All single rooms, providing substantial fee income. Set in 5 acres with potential to extend, subject to planning permission. REF: RH0101.

All enquiries to GA Business & Leisure, Maidstone. Tel: (0622) 685261.

APRILODGE LIMITED T/AS RENNY'S HOTEL

(IN RECEIVERSHIP)

The Administrative Receiver offers for sale the business and assets of the above hotel near Euston Station.

Main assets are:

- Freehold property consisting of 20 rooms with appx 40 beds.
- Three shop premises - two leased to William Hill plc and the third is currently empty.
- All fixtures and fittings.
- Current staff available if required.

For further information please contact the Administrative Receiver, Mr S K Singla FCA, SINGLA & COMPANY, 49 Queen Victoria Street, London, EC4A 4SA Phone 071-236 2184
Fax 071-236 4944
Authorised by the Institute of Chartered Accountants in England and Wales to conduct investment business.

BLACKSPUR ADVERTISING & MARKETING LIMITED
IN ADMINISTRATION

The Joint Administrators offer for sale the business and assets of the above company on a going concern basis. The company's principal activities are brewery promotional work and corporate hospitality.

- Turnover approximately £1.4m.
- Substantial forward order book.
- Blue chip customer base.

For further information please contact Jamie Gleave or John Hall at:
Bank House,
Charlotte Street,
Manchester M1 4EU.
Tel: 061-200 0297
Fax: 061-200 0362

ARTHUR ANDERSEN & CO.

CHRISTIE & Co

On the instructions of Compass Hotels Limited

THE COMPASS HOTEL
BATH

An impressive three star hotel situated in the heart of this historic city centre. Magnificent Georgian property with 54 bedrooms. Recently re-opened after total refurbishment. Lounge bar, Restaurant (65), Coffee shop. Two conference rooms. P/P for seven extra bedrooms. Projected T/O £1.1 – £1.2 million.

Price on Application

Contact Tim Wheeldon, Corporate & Acquisition Division.

BRISTOL OFFICE 0272 744566

Joint Administrative Receivers offer

CENTAGRAPH

For sale as a going concern, the business and assets of a group of companies variously concerned in the sale of all types of Graphic Art and Fine Art Materials, Computer Graphic Design and Linotronic Bureau Service and Office refurbishment and design.

The businesses are based in Leeds, Harrogate, Wakefield and Liverpool.

- Approximate turnover of £1.35 million per annum.
- 4 Leasehold sites.
- Established business

For further information contact the Joint Administrative Receivers, M.J. Moore and E. Klempka at: Cork Gully, Albion Court, 5 Albion Place, Leeds, LS1 6JP Telephone: (0532) 457332 Fax: (0532) 434567 Our Ref: M. Hick

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

ENTREPRENEURIAL OPPORTUNITY
LOW INVESTMENT - IMMEDIATE NET PROFIT RETURN
BUSY CENTRE - WEST LONDON (NEAR M4)

Annual turnover - £450K. Gross profit £150K. Net profit £20k. Reliable staff plus secure tenancy of existing offices.

NEW OWNER REQUIREMENTS

People skills/customer awareness/hard work.
Net profit potential - realistic £50k per annum.

Write to Box No.H7006, Financial Times, One Southwark Bridge, London SE1 9HL

WELL ESTABLISHED PROFITABLE CONTRACTING GROUP FOR SALE

Involved principally in Civil Groundworks, Earthmoving, Landscaping and Plant Hire, with excellent Management Team in place.

Group turnover £8.5m with pre-tax profits in excess of £1.5m and positive cash flow in excess of £3m. (previous two years £6.25m T/O - £1.1m and £4.25m. T/O - £0.7m profits respectively) projected seven figure profit for 1990/91. Good Clientele and Order book.

Freehold 2.5 acre Contractors yard and offices available if required. Located North West London, inside M25 Motorway.

In excess of eight figure sum required.

Write to Box No. H7008, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE
Progressive and Expanding
PLANT HIRE CONTRACTORS
EAST ANGLIA

Established 20 years and a market leader. Turnover in excess of £3m p.a. Owners would like to capitalise. Continuity of management if required. Apply to:

Richard Affleck & Co
Chartered Accountants
12 Tacket Street
Ipswich
IP4 1AY

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- Prime West End Sites
- Long Tradition
- High Class Name Internationally Renowned
- Mail Order Catalogue (Worldwide)
- Highly Profitable Business
- Poised for Exploitation
- Principals Only

Full details write Box No: H7012 Financial Times, One Southwark Bridge Road, London SE1 9HL

Joinery Manufacturing Company

Located in central Lancashire and specialising in staircases and manufactured joinery, the company operates from a modern and fully equipped factory. Current turnover is in excess of £1m per annum with an excellent customer base and forward order book. The company would suite an existing operator wishing to secure additional capacity and throughput.

Please write Box H7025, Financial Times, One Southwark Bridge, London SE1 9HL

WAREHOUSING AND DISTRIBUTION COMPANY

- around 550,000 sq. ft. of modern freehold warehousing in North West
- fleet of tractor units and trailers
- 'Blue Chip' customer base
- consistently profitable with significant scope for expansion

Principals only should apply in writing to Holdings Limited, Longlands Mill, Queen Street, Mossley, Ashton-under-Lyne, Lancs. OL5 9AH

NICHE PUBLISHING AND EXHIBITION

A bi-monthly quality business publication with complimentary annual exhibition in a unique market niche, has been professionally developed by a marketing support group of companies to create exposure for their services. The Group now wishes to divest itself of its publishing and exhibition interests to be able to concentrate on its core business. Would suit a publisher or exhibition organiser as an add on title/event.

Please write to Box H7028, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

HOLLAND

Long established Profitable Company in Sub Contract Manufacture of Plastic Products. Latest Technology.. Modern Freehold Factory. Management in Place. Turnover £8 million.

Box H6485, Financial Times, One Southwark Bridge, London SE1 9HL.

Machinery Manufacturing Company for sale with well established own product range. T/O 500 K consistent profit record over last 4 years. based South Yorkshire. New freehold factory on 2 acre site.

Offers excellent potential for continued growth.

Write Box No:F9893 Financial Times, One Southwark Bridge, London Se1 9HL

AGRICULTURAL/HORTICULTURAL PACKAGING DIVISION

Well established business with well spread customer base and distribution network being divested of by parent company. Annual sales £700,000. Excellent chance to expand for any company already operating in this sector or ideal start-up opportunity. Offers invited to include purchase of stock of approx £150,000 plus goodwill.

Write Box H6493, Financial Times, One Southwark Bridge, London SE1 9HL

TELECOMMUNICATIONS

Central London based Communications company selling key systems, PABX and FAX. Over 600 existing customers with repeat business and upgrade potential.

Small high quality sales force with low additional overheads working from excellent premises in a good location.

Serious offers considered for the business, stock and goodwill.

Write to Box No. H7107, Financial Times, One Southwark Bridge, London SE1 9HL

PETROL STATION - MAIN A6 TRUNK ROAD

Bedfordshire - with planning to redevelop. Currently 660,000 Galls p.a. Est. Gallonage 1.5 million (after redevelopment and new road scheme) new rollover car wash - 8 months lease remaining (at 1p per gallon). No preemption clause. Offers circa £575,000. Land adjacent for Roadside Restaurant (by separate negotiation).

Contact the Commercial Director, Silver Star Properties, 1 Chiswick Square, London W4 2QG. Tel: 081 994 8882

PUBLISHING COMPANY

offers established trade title with advertisement orders for sale.

Contact Mr Allen on 071 224 6476

METAL STOCKHOLDER

Well Established. Non-Ferrous Metal, Stainless Steel and Engineering Supplies. Sales Exceed £2.5 Million. Very Profitable. Owner Willing to Remain.

Write Box H7024, Financial Times, One Southwark Bridge, London SE1 9HL

BUSINESSES FOR SALE

BULK LIQUID HAULAGE COMPANY
As a going concern based in the North West
Well established. 10 vehicles.
Excellent customer base.
Turnover £400K + profitable.
Genuine reason for sale.
Contact
A. Anthony Associates
Rosehill House, Lydiate,
Merseyside L31 4JF
Tel: 051-526-4008
Fax: 051-526-1673

MAIL ORDER CO.
Specialising in mature ladies fashions. Est. 30 yrs. Substantial Database. Modern S/S L/HD Distribution premises and 8 L/HD retail shops. Turnover £5½m. Recent doldrums due to market turndown but great potential.
Retirement Sale £675k.
Write Box H7014, Financial Times, One Southwark Bridge, London SE1 9HL

PARIS - NICE BUREAU DE CHANGE -
Opportunity to acquire business and assets bureau de change/1 hour photo processing company.
- 5 prime outlets in Nice and Paris including Place de l'Opera
- Very profitable
- Well developed information systems - industry leader
- Good management
- Easy centralised control

For further information, please contact: Lennox Amalgamations & Industries, Fairholt House, 2 Pont Street, London SW1X 8EL. Fax: 071 235 1605.

JOINERY COMPANY FOR SALE OR RENT
Located in North Surrey with turnover potential of £1 million+. Modern well-equipped workshop with yard. Good customer base and reputation for quality. Enquiries please write to Box No. H7015, Financial Times, One Southwark Bridge, London SE1 9HL.

HEALTH CARE BUSINESS FOR SALE
UNIQUE BUSINESS OPPORTUNITY
in the field of Family Planning for sale. Principals only.
Write to Box H7018, Financial Times, One Southwark Bridge, London SE1 9HL.

Profitable Life and Pensions Broker
operating from own freehold premises in growing northern town. Annual commission income in excess of £100,000.
Write H7009, Financial Times, One Southwark Bridge, London SE1 9HL

MAJOR SUFFOLK TOWN
Retail Shop with Planning permission for DRY CLEANING Currently trading as Wool, Habdash, Clothing shop 3 Bed accommodation Situated on busy shopping parade New lease now available. £30,000
Write to box H7010, Financial Times, One Southwark Bridge, London SE1 9HL.

ESTABLISHED SMALL FASTENER COMPANY for sale. £48k T.O. 29% gross profit. Write to box H6498, Financial Times, One Southwark Bridge, London SE1 9HL.

OFFICE EQUIPMENT RETAILER
Successful retail distributor of office furniture, commercial stationary and business machines. Operating from six outlets - Turnover £14m Principals only
Write to Box H7003, Financial Times, One Southwark Bridge, London SE1 9HL.

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Group of 3 Residential Care Homes for sale. Total of 80 beds with room for expansion. Consistently high occupancies. Run under management. London and North East England.
Principals only. Please write to Box No. H7022, Financial Times, One Southwark Bridge, London SE1 9HL.

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Write Box F9894, Financial Times, One Southwark Bridge, London SE1 9HL

PROFITABLE LONDON COMPUTER
dealership for sale. Turnover £1m plus, with major corporate/educational/public sector accounts. Principals only please apply to Chipchase Cunynghame, Chartered Accountants, 69 Hillgate Place, London W8 7SS.

PROPERTY INVESTMENT COMPANY
Comprising seven residential properties in SW London. Entire share capital for sale.
Enquiries to Roger Sutton & Company, Chartered Accountants, 79 High Street, Teddington, TW11 8HG.

Hatherleigh Meat Limited
Mid Devon Meat Limited
(In Receivership)
Devon
Both companies operate as abattoirs and meat wholesalers in Hatherleigh and Copplestone, Devon.
- Annual turnover £24m (Hatherleigh) and £20m (Mid Devon)
- Freehold properties with fully equipped abattoirs
- Prestigious customer base including export market

For further details please contact either of the Joint Administrative Receivers:
Robert St. J. Buller or Allan Griffiths, Grant Thornton, 43 Queen Square, Bristol, BS1 4QR. Tel: (0272) 268901 Fax: (0272) 265458
Grant Thornton
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Printers and Typesetters
For sale as a going concern the business and assets of TWENTY SIX TYPESETTING LIMITED (In Receivership)
- Leasehold premises near Manchester City Centre
- Specialised plant and equipment
- Highly skilled workforce
- Substantial developing customer base
- Annualised turnover of £1.5m

For further details contact
Gerald Smith
ROBSON RHODES
Bernard House, Piccadilly Plaza, Manchester, M1 4DJ.
Telephone: 061-236 4702 Fax: 061-236 1152
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Devon & Somerset Farmers Ltd.
The business and assets of the above Limited Company, established 70 years ago as a farming cooperative and buying consortium serving North Devon, is offered for sale by the Joint Administrative Receivers.
- Wholesale & retail dealers/agents for agricultural products, tractors and other machinery, cattle feed, fertilisers etc.
- Freehold & leasehold premises, all with retail outlets, in Bideford, Barnstaple, South Molton, Tiverton, Hatherleigh (all in Devon) and Bridgwater, Dulverton (Somerset).
- Workshop facilities at two locations.
- Workforce of 86.
- Turnover £13 million.

For further details, contact the Joint Administrative Receivers, D. H. A. Peacock and C. M. Clapp, Ernst & Young, Broadwalk House, Southernhay West, Exeter, EX1 1LE Tel: 0392 433541. Fax: 0392 75175.
Ernst & Young
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Prescott Clock & Watch Company Limited
(In Receivership)
The above company imports and distributes clocks and watches both under customers' own label and the brand name, "President".
- Leasehold premises close to M1/North Circular Junction.
- Prestigious customers
- Substantial order book
- Annual turnover £1.8m

For further details please contact the Joint Administrative Receivers:
Michael Scott or Maurice Withall,
Grant Thornton,
49 Mill Street,
Bedford
MK40 3LB
Tel: (0234) 211521
Fax: (0234) 325717
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BOOTH WHITE
Company reorganisation & reconstruction, asset realisation, debt & financial advice, creditor representation, creditor & bank investigations, general liquidity assessments, corporate recovery

By order of the Joint Administrative Receivers: Brian Mills & Colin George Wiseman
Third Generation Limited
(In Administrative Receivership)
An audio mixer and amplifier manufacturer based in Essex.
The following business and assets of the above company are offered for sale as a going concern:-
- Leasehold Factory
- Stock and work in progress
- Fixtures, fittings and equipment
- Order book and goodwill.

For further details please contact R. Frost or P. Barclay at.
Booth White
2 Nelson Street
Southend-on-Sea
Essex
SS1 1EF
Telephone 0702 346484
Fax 0702 334245
LDE Box 91
And also at:-
Liverpool • London Docklands • Medway • Watford • Sidcup • Ipswich.
Authorised by The Securities Association to act as investment advisers.

NIGHTINGALE LODGE
Barnet, North London
The Joint LPA Receivers of Porchester Management Limited trading as Nightingale Lodge offer for sale the property and goodwill.
- Freehold Property
- Well positioned residential rest home for the elderly
- Registration for 10
- Planning consent applied for increased capacity
- Skilled staff
- Established company

Interested parties should contact Paul Davis or the Joint Receiver Neil Geddes of Levy Gee and Partners, Wettern House, 56 Dingwall Road, Croydon CR0 0XH. Telephone: 081-681 8389 Telefax: 081-681 8402
LEVY GEE

Gomarsall Telecom Engineering
The Administrative Receivers offer for sale the business and assets of J. & D. Gomarsall Limited. The Company are established Telecom Engineering Contractors.
- Telephone Systems and Recovery Experts
- Qualified Telecom Engineers
- Turnover £1.8 million
- Freehold premises in Bicester available.

For further details please contact: W. J. H. Elles, Ernst & Young, Apex Plaza, Reading, RG1 1YE. Tel: 0734 500611. Fax: 0734 507744.
Ernst & Young
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Steel Fabricators
North Midlands
The Joint Administrative Receivers, Joe Atkinson and Peter Bendall, offer for sale the business and assets of a manufacturer of steel fabrications up to 5 tonnes in size for a number of well-established customers in a range of industries principally specialising in mining and earth moving.
- 25,000 square feet leasehold property
- Easy access to M6 motorway
- Highly skilled workforce
- Annual turnover approximately £2,000,000

For further information please contact Joe Atkinson or Maggie Rowe, Spicer & Oppenheim & Partners, Newater House, 11 Newhall Street, Birmingham B3 3NY.
Telephone (021) 200 2211
SPICER & OPPENHEIM & PARTNERS
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Spicer & Oppenheim & Partners is a division of Spicer & Oppenheim which is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Woodbank Ceramics Limited (In Receivership)
The business and assets of the above company, which manufactures the exclusive high quality Chatsworth range of bathroom ceramics, are available for sale as a going concern.
- Operates from 20,000 sq. ft. modern leasehold premises in Bredbury, near Stockport.
- Annual turnover in excess of £1.2 million.
- Major assets include two ceramic kilns.
- Skilled workforce of approximately 24.

Enquiries to the Joint Administrative Receiver, AJP Brereton FCA, Price Waterhouse, York House, York Street, Manchester M2 4WS. Telephone: 061-228 6541. Telex: 669591. Fax: 061-228 1429.
Price Waterhouse

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The Owner has a requirement of 100 hours per year so this is an ideal opportunity for an aircraft investor who has a travel requirement but is keen to reduce his costs through joint ownership and involvement in a commercial operation.

For full details please contact David Crawshaw Consultants Ltd. Tel: UK 0276-681409. Fax: UK 0276-62032. Telex: UK 858204

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CONFERENCES

There is an estimated $50 billion circulating in the Islamic banking system. These banks are keenly seeking opportunities for investment.

If you want to know more, attend

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For further information contact
Sue Scott,
Conference Coordinator
Tel: 071-929 55 ext 2319
Fax071-929 5478/071 278 4797

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(CONSUMER CREDIT LICENCE NUMBER 169996)

LEGAL NOTICES

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF TEXAS
LUBBOCK DIVISION

IN RE:

CRUTCHER FINANCE, N.V. and CRUTCHER RESOURCES CORPORATION BANKRUPTCY LITIGATION — ADVERSARY PROCEEDING NO. 588-5098

CIVIL ACTION NO. CA-5-89-0103 (CONSOLIDATED WITH CA-5-89-0104-C)

THIS DOCUMENT RELATES TO ADVERSARY PROCEEDING FILED IN THE DISTRICT COURT IN CONJUNCTION WITH THE BANKRUPTCY CASES OF CRUTCHER FINANCE, N.V. AND CRUTCHER RESOURCES CORPORATION — ADVERSARY PROCEEDING NO. 588-5097

CIVIL ACTION NO. CA-5-90-136-C

TO: ALL PERSONS OR ENTITIES WHO ARE HOLDERS OR BENEFICIAL OWNERS OF THE 8¾% CONVERTIBLE SUBORDINATED DEBENTURES AND/OR ANY COUPONS APPURTENANT THERETO ISSUED BY CRUTCHER FINANCE, N.V. PURSUANT TO AN INDENTURE DATED DECEMBER 15, 1980, GUARANTEED BY CRUTCHER RESOURCES CORPORATION, AND DUE DECEMBER 15, 1995, OR WHO ARE CLAIMING UNDER THE DEBENTURES AND/OR ANY COUPONS APPURTENANT THERETO.

SUMMARY NOTICE OF CLASS ACTION AND PROPOSED SETTLEMENT

YOU ARE HEREBY NOTIFIED, pursuant to Rule 23 of the Federal Rules of Civil Procedure, that a hearing will be held in the courtroom of the Honorable Sam R. Cummings, Judge of the United States District Court for the Northern District of Texas (United States Courthouse, 1205 Texas Avenue, Lubbock, Texas 79401) on August 27, 1990, at 10:00 A.M. to determine whether the proposed settlement of these actions between IBJ Schroder Bank & Trust Company as Successor Indenture Trustee/Class Representative ("Schroder") and the Crutcher Finance, N.V. Bankruptcy Trustee as Plaintiffs and certain financial institutions as Defendants should be granted final approval by the Court as being fair, reasonable, and adequate; whether all claims and counterclaims in these Actions should be dismissed with prejudice to their filing; and whether a Settlement Fund in the amount of $600,000.00, from which certain fees and expenses will be paid, should be approved.

YOU ARE A MEMBER OF THE CLASS IF YOU PRESENTLY HOLD AND/OR BENEFICIALLY OWN 8¾% CONVERTIBLE SUBORDINATED DEBENTURES ISSUED BY CRUTCHER FINANCE, N.V. IN DECEMBER 1980 AND DUE 1995 OR ANY COUPONS APPURTENANT THERETO AND/OR ARE CLAIMING UNDER SUCH DEBENTURES OR ANY COUPONS APPURTENANT THERETO. IF THE COURT APPROVES THE SETTLEMENT, YOU WILL BE BOUND BY ITS TERMS, AND IF YOU WISH TO OBJECT TO THE PROPOSED SETTLEMENT OR TO THE PAYMENT OF ATTORNEYS' FEES OR COSTS AS SET FORTH BELOW, YOU MUST FILE YOUR WRITTEN NOTICE OF INTENTION TO APPEAR AT THE HEARING, STATING ALL GROUNDS FOR OBJECTION OR OTHER STATEMENT OF POSITION WITH THE CLERK OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS AT THE ADDRESS LISTED AT THE END OF THIS NOTICE AND SERVE COPIES OF SUCH WRITTEN OBJECTION AND ALL OTHER PAPERS, BRIEFS, OR AFFIDAVITS FILED WITH THE CLERK OF THE COURT ON THE FOLLOWING PERSONS NO LATER THAN SEVEN CALENDAR DAYS PRIOR TO THE SETTLEMENT HEARING OR YOU WILL NOT BE HEARD AT THE HEARING.

Ms. Lea F. Courington
Gwinn & Roby
4100 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

Mr. George J. Wade
Shearman & Sterling
Citicorp Center
153 E. 53rd Street
New York, New York 10022

Ms. Myrtle McDonald
Jones, Trout, Flygare,
Moody & Brown
1600 Civic Center Plaza
P.O. Box 2426
Lubbock, Texas 79408-2426

The complaints in these actions allege that beginning at least with the restructuring of the long-term debt of Crutcher Resources Corporation in 1983, the Defendants, inter alia, controlled Crutcher Resources Corporation and its subsidiaries including Crutcher Finance, N.V., to their own advantage and the detriment of other creditors. One of the complaints also alleges that one of the Defendants, which served as Indenture Trustee for the holders of the Debentures until December 1983, breached certain duties to the holders of the Debentures. Defendants have denied all allegations.

The settlement to which the parties have agreed, subject to court approval, provides that a Settlement Fund of $600,000.00 will be created to be distributed as follows: (1) $550,000.00 which, after payment from that amount of certain costs of mailing and publishing notice of the hearing on the proposed settlement, the costs of administering and distributing the Settlment Fund, and Schroder's attorneys' fees and expenses as approved by the Court, will be distributed to those members of the class who present their Debentures together with all coupons appurtenant thereto to Schroder (or Euro-Clear Clearance Systems, Inc. or Cedel, S.A., in the case of those Class Members in continental Europe and the United Kingdom) in accordance with the terms of the Indenture and the Debentures; and (2) the sum of $50,000.00 will be paid to the Crutcher Finance, N.V. Bankruptcy Trustee for the benefit of the bankruptcy estate and the creditors of that company other than the holders of the Debentures.

You may contact Schroder (Mr. Max Volmar, Vice President, IBJ Schroder Bank & Trust Company, One State Street, New York, New York 10004, 212/858-2428) at any time after August 27, 1990 (the date of the hearing at which the Court will be asked to approve the settlement), to determine whether the settlement has been approved.

In order to participate in the distribution from the Settlement Fund, Class Members (or duly authorized persons or entities acting on their behalf) must present the Debentures together with all the coupons appurtenant thereto under which they are claiming to one of the following, depending upon the Class Member's place of residence, no later than December 14, 1990:

CLASS MEMBERS RESIDING IN CONTINENTAL EUROPE OR THE UNITED KINGDOM:

Euro-Clear Clearance
Systems, Inc.
c/o Morgan Guaranty Trust Company
35 Avenue des Arts
Brussels, Belgium

OR

Cedel S.A.
67 Boulevard Grande Duchesse
Charlotte
Boite Postal 1006
1010 Luxembourg

ALL OTHER CLASS MEMBERS:

IBJ Schroder Bank & Trust
Company
Corporate Trust Window
SC1
One State Street
New York, New York 10004

If you have not received by mail a notice which more fully describes the litigation and the terms and conditions of the proposed settlement, you may request one by sending your name and address to:
Ms. Lea Courington
Gwinn & Roby
4100 Renaissance Tower
1201 Elm Street
Dallas, Texas 75270

DATED: July 6, 1990.

NANCY H. DOHERTY
Clerk, United States District Court
for The Northern District of Texas
United States Court House
P.O. Box 2348
Lubbock, Texas 79408-2348

FINANCIAL TIMES SURVEY

MANAGEMENT EDUCATION & DEVELOPMENT

Tuesday July 24 1990

Many management educators are adopting a more international outlook as the prospect of a single European market brings greater challenges and increased competition. **Simon Holberton** looks at how some leading institutions are altering their strategies

Who teaches the teachers?

AS EUROPE'S business schools enter the 1990s they find themselves in a curious position. For so long they were the teachers of managers but they now find their students have left them behind.

The pace of change in business, brought about by new technology and the prospect of a single market for goods and services in Europe by the end of 1992, has left companies more international in their orientation and outlook than the institutions upon which they rely for management development and education.

In this competitive world, the prize the teachers are reaching for is the accolade of the most international business school in Europe.

Schools with the capability to stand alone see the best way to achieve this is by altering their teaching away from the functional and vertical towards the integrated and the horizontal. Mr George Bain, principal of the London Business School, calls it addressing business instead of functional problems.

There is also an emerging trend among some of Europe's business schools, especially those most closely tied to the public sector, towards cross-border co-operation – the parallel to the forging of alliances that is taking place among European companies – in a desperate rush to "internationalise", to throw off the perceived yolk of parochialism.

Management education and development is a vast field. Within the business school environment it is also very large. In a review of the issues facing business schools some selection is necessary. This introduction focuses on the attitudes and strategies of five leading European institutions – INSEAD in France, IMD in Lausanne, Groupe ESC Lyon in France, and Cranfield and the London Business School in Britain – to the challenge of internationalisation.

In this survey the plans of the British school Ashridge are discussed as well as ways in which companies, such as GKN Industrial Services, are trying to meet challenges by creating managers with an international disposition.

Looking into the 1990s, Mr Jean-Pierre Salzmann, director of external relations at INSEAD, believes that the deregulation in the European Community will create challenges for managers.

"There have been visible and invisible barriers to competition that companies have been able to hide behind," he says. "Competition will increase. That will generate the necessity for managers to make fast decisions in an uncertain world. The ability to manage ambiguity, therefore, will be very important."

There are few in the management education and development game who would dissent from this view. But underlying it is how best to educate in such an environment. In a world which many see as evolving towards greater levels of uncertainty and degrees of complexity it is not surprising that the function-based model of instruction is giving way to a more holistic approach.

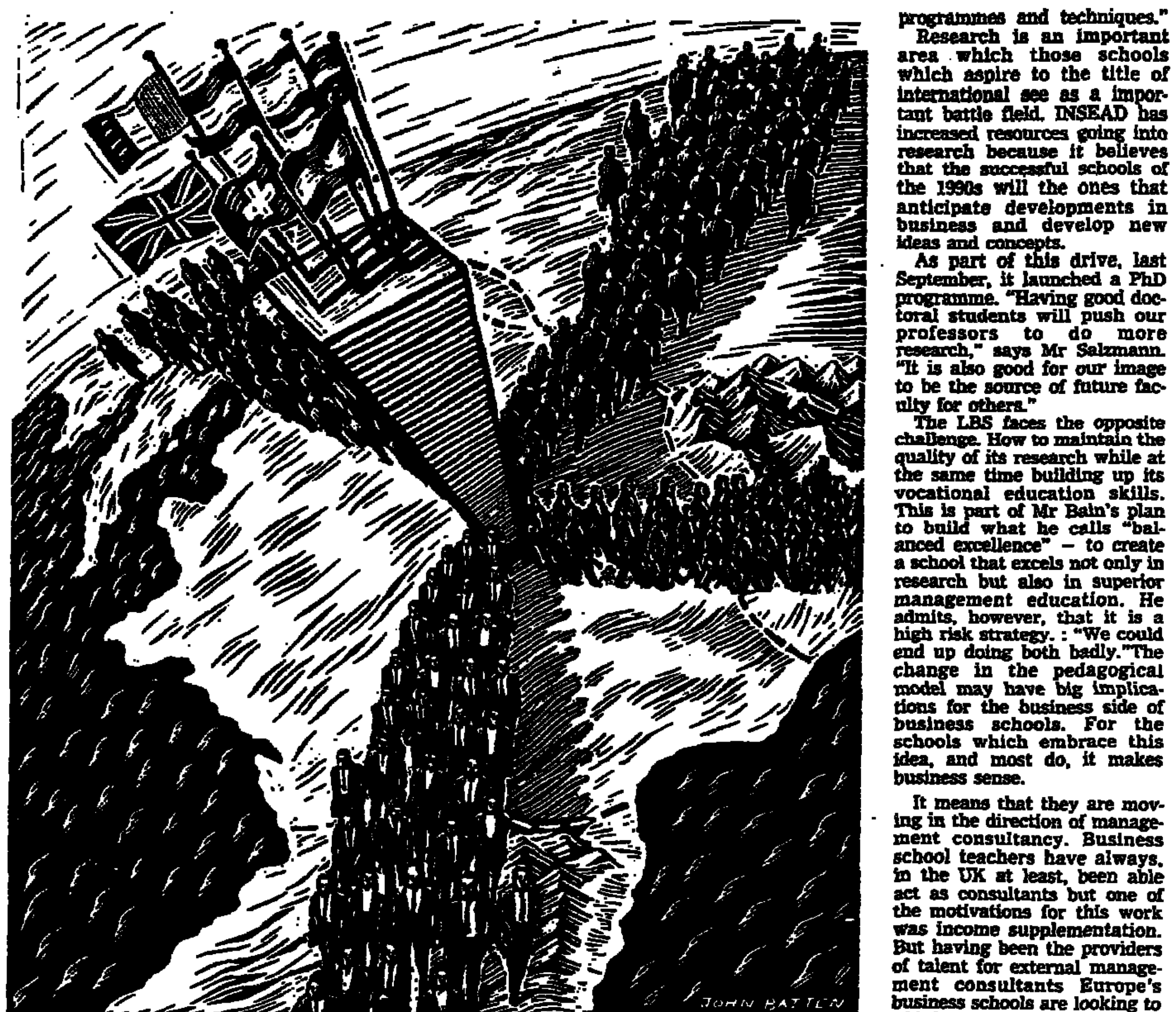
Mr Juan Rada, the head of IMD in Lausanne, believes that the changes under way in business mean that management education and development will have to be more related to organisational development and the implementation of change in companies than it has in the past. Companies will demand organisational value added from education not just individual enlightenment.

"Such a shift requires having an educational offering that is multiform, which tends to blur the distinction between education (courses and seminars) and organisational development in its many forms (consulting)," he says. "Education begins to be defined by the context instead of by some fixed formal criteria."

If there is a change in the pedagogical orientation of business schools the question still remains: what other things need to be done to become international? Each school has a different answer but there are some common themes.

Two that stand out are the composition of the student body and faculty. An international student body may be a necessary condition but it is not sufficient. Too many schools, especially in Britain, have high intakes of foreign students because they pay more and the institutions can not compete with the more academically esteemed schools.

A diversity in faculty is more important. Foreigners bring with them other ways of looking at business problems; they can inculcate a wider view among those who either read for a master of business administration or attend executive development programmes; and they can, by virtue of their contacts, increase the potential pool of subject companies for research projects.



The scarcity of "international" faculty is hotly disputed among the heads of business schools. But one, Mr Bruno Dufour, director of Group ESC Lyon, believes that western Europe faces a significant shortage of suitable faculty. In London in March to launch a joint MBA with Cranfield School of Management he cited this as one of the main reasons for the venture. "We have to go in for networking," he said.

But the Cranfield/Lyon MBA, which begins this October, is also a pointer to how schools rooted in a national educational system can mitigate that problem in the age of internationalism. It will offer prospective bi-lingual students a bi-cultural experience; it mixes faculty and teaching methods and, as such, represents an attempt to get around the limitations of parochialism.

"The world is becoming smaller place and the client market is international, says Mr Leo Murray, director of the Cranfield School of Management. "If we are going to be able to deliver service to clients then we need to offer them international programmes and techniques."

Research is an important area which those schools which aspire to the title of international see as a important battle field. INSEAD has increased resources going into research because it believes that the successful schools of the 1990s will the ones that anticipate developments in business and develop new ideas and concepts.

As part of this drive, last September, it launched a PhD programme. "Having good doctoral students will push our professors to do more research," says Mr Salzmann. "It is also good for our image to be the source of future faculty for others."

The LBS faces the opposite challenge. How to maintain the quality of its research while at the same time building up its vocational education skills. This is part of Mr Bain's plan to build what he calls "balanced excellence" – to create a school that excels not only in research but also in superior management education. He admits, however, that it is a high risk strategy. : "We could end up doing both badly."The change in the pedagogical model may have big implications for the business side of business schools. For the schools which embrace this idea, and most do, it makes business sense.

It means that they are moving in the direction of management consultancy. Business school teachers have always, in the UK at least, been able act as consultants but one of the motivations for this work was income supplementation. But having been the providers of talent for external management consultants Europe's business schools are looking to add formal consultancy to the "portfolio" of services they provide clients. Mr Rada talks of "account management"; Ashridge is busily expanding its consultancy services.

Clearly, the other side of "partnership" or "relationship", is the attempt to secure a steady and growing source of income from tied clients. To rewrite the old saying about the Jesuits: give me a company that participates in our courses and research projects and it will be ours for life.

IN THIS SURVEY

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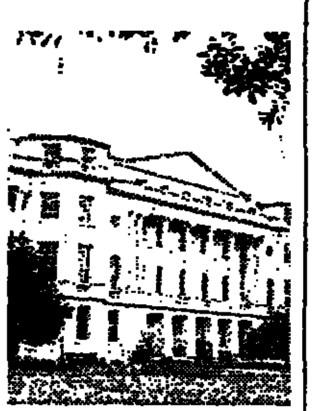

London Business School

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Although PERA is a membership-owned organisation it undertakes consultancy for all kinds of non-member companies, for example, projects in training, electronics, computing, new materials, design, facilities planning, manufacturing strategy, strategic marketing and publicity. PERA's professional services groups are staffed by experienced consultants with practical knowledge of applying technology to business needs.

PERA's Director General Ron Armstrong, in a recent lecture, said "Managers and technologists alike get confused by the categories of technology and their relative importance to the business." PERA, with its ever increasing membership base and daily contact with client companies is in an ideal position to understand industry's business wants and needs. One major concern of industry is the need for top quality management training and it is an area where PERA has the solutions. With the advent of stronger and less shackled competition from Europe, eastern Europe and the Far East industry is having to concentrate on the development of managerial skills to deal with new technology and the highly qualified technical people who control it. Managers are coming under increasing pressures from customers who demand top quality products at realistic prices and shareholders who want quick returns on investment.

PERA understands these issues and its already highly successful management and technical training operation is being extended by opening a new management and training centre near Swindon in Wiltshire. This new centre, Pembroke House, will concentrate on senior executive level courses and will feature a range of topics such as Executive Briefings. These Briefings will focus on key topical subjects which will be discussed amongst delegates with the aim of keeping them up to date with new legislation, new technology and new ideas for managing their business. The Briefings will be followed by in-depth seminars and courses for senior managers who need to go into more detail on a subject, and can be extended into consultancy and further courses for companies who wish to take-in the subject in far greater detail. Courses can also be undertaken in-company if required.

Ron Armstrong, Director General, PERA

"Technology is only a tool. It is only when companies allow it to acquire a kind of mystique that management decisions become blurred and ineffective."

The Briefings will start in the Autumn of 1990 and some of the first subjects to be addressed will be:

- The new EEC legislation concerning the interference emanating from electrical/electronic equipment and the problems it can cause to other, similar equipment
- Taking your business into the marketplace. How to prepare for, attend, and follow up overseas exhibitions.

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- Managing the human resource function (in SMEs). Emphasizing the importance of having a training and personnel presence in a company without having the expense of employing a full-time person

Business Growth Training

Another area where PERA is highly active is in operating the Business Growth Training Scheme, through the Training Agency. There are five BGT schemes that cover the training needs of smaller businesses and BGT3 is the scheme in which PERA is most heavily involved - managing change within a company with the use of external consultants.

Within the BGT schemes, PERA is working with companies as diverse as manufacturers of point of sale equipment for petrol stations, caravan manufacturers, makers of window blinds and numerous others. This, most useful set of schemes ensures that companies can take the necessary steps to guarantee that their management teams are well-versed in the skills they will need to meet the demands of a growing business.

PERA's part in the BGT process involves a human resource consultant analysing the skills and knowledge of the client company's management team and comparing this expertise with the declared business plan for the company. Through consultation, training and development, plans are created, implemented and evaluated over a period of one year. Towards the end of the year, PERA's consultants help create a forward plan which is an amalgamation of business growth and employee development which ensures continuing business success.

Appropriate Technology

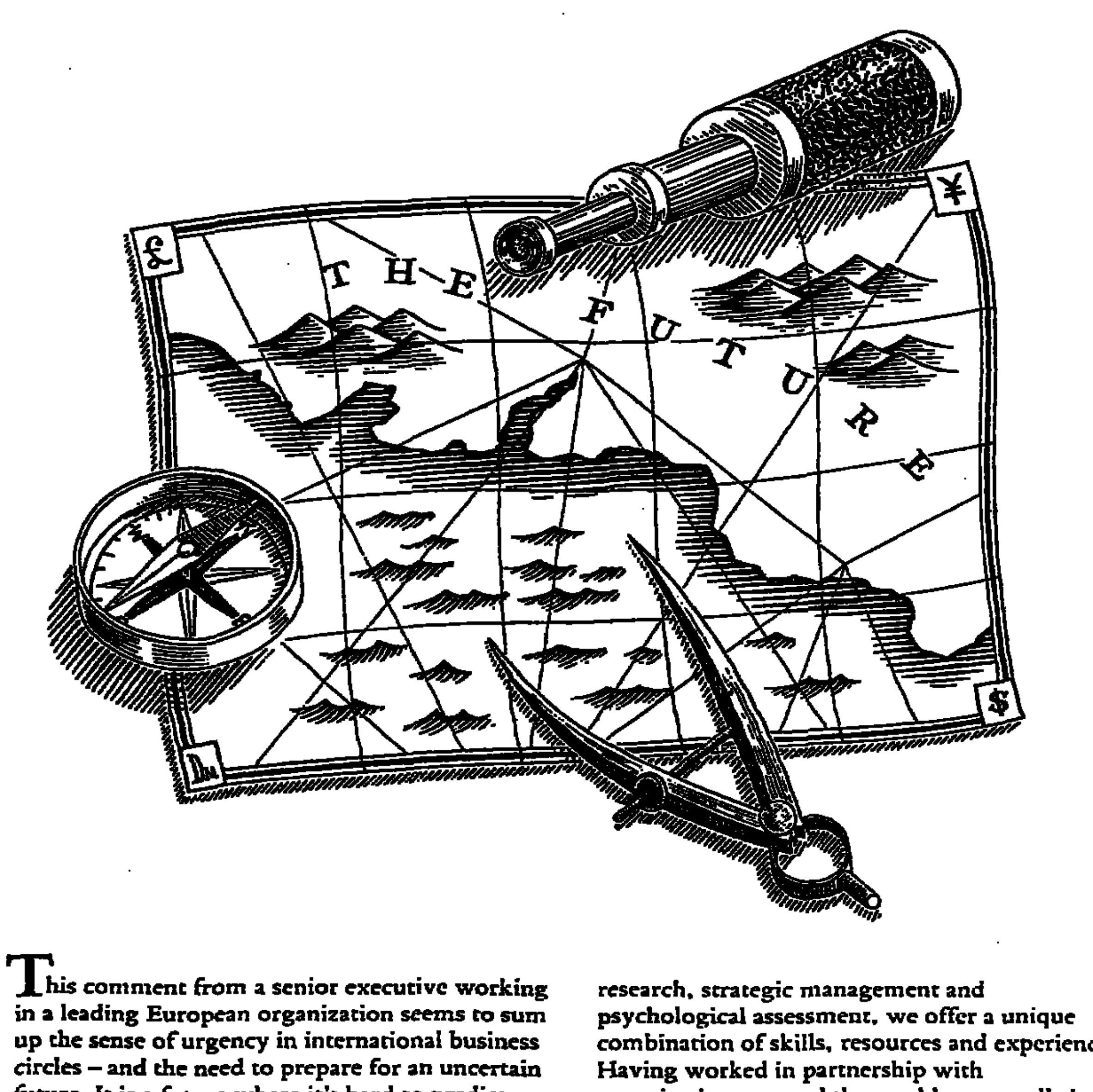
The transfer of appropriate technology into business and between businesses is the most important factor affecting future competitiveness. It's a technical world, whether you are in manufacturing, farming, health care, banking, the military, leisure - how well you apply technology compared with your rivals will determine whether or not you stay in business. In most cases, managers have problems managing technology - they aren't born knowing how it all works, what to do with it and how to apply it in a business situation and they need to be trained. Business success in the '90s will be dependent on getting people and technology working together effectively and with current and future skills shortages it will be very much a question of training existing staff in new ways.

PERA's business is not technology - it is improving other companies' commercial performance. Training is a vital ingredient of UK Ltd's future success. To quote Ron Armstrong: "Technology is only a tool. It is only when companies allow it to acquire a kind of mystique that management decisions become blurred and ineffective."

PERA's training courses can sharpen a company's management team into dealing with technology effectively - turning it into a competitive edge, not a liability.

For further details of PERA courses contact Patricia Brace-Gough, PERA Southern Office, Pembroke House, Lydiard Millicent, Swindon SN5 9LS. Telephone 0793 772555.

"The future isn't far away…"



This comment from a senior executive working in a leading European organization seems to sum up the sense of urgency in international business circles – and the need to prepare for an uncertain future. It is a future where it's hard to predict who will succeed, but it is one in which the quality of management will certainly be put to the test.

At Ashridge, our mission is to develop forward-looking managers who are capable of outstanding performance in the rapidly-changing global environment. In other words, we can help organizations to cope with the complexity, diversity and ambiguity of the uncertain future. Through our integrated portfolio of services embracing management education, consulting, research, strategic management and psychological assessment, we offer a unique combination of skills, resources and experience. Having worked in partnership with organizations around the world, across all sizes and sectors, we have developed and refined approaches which can help managers to anticipate change and become better prepared for the challenges ahead.

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For a copy of the Ashridge Annual Review, please contact: Marketing Department, Ashridge Management College, Berkhamsted, Hertfordshire HP4 1NS, England. Tel: (0442 84) 2311 or 3491. Fax: (0442 84) 2382

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Michael Dixon looks at planning, 25 years after the National Plan

Old models under scrutiny

HOW SIMPLE it all seemed in the 1960s is shown by the following quotation from the UK's one and only National Plan:

The most intangible and yet by far the most important factor in improving industrial efficiency is the quality of industrial management. There is now a growing interest in management education, and it is expected that in the next few years the increased quantity and quality of management education of all kinds will be making an important contribution.

So said the plan which is within a few weeks of its 25th anniversary. The 1960s Labour government heralded it as Britain's answer to Soviet-style economic planning, which many people other than committed socialists thought would outstrip market-based patterns within the next decade or so.

The plan's strong hopes for management education were centred on the two new post-graduate business schools being set up at the time in London and Manchester. The "important contribution" expected from them and their less esteemed counterparts was apparently about one-eighth of an economic-growth rate of 4 per cent a year.

A quarter century on, it is clear that management education has survived in better shape than the planned growth rate or Soviet-style economies. But it is less clear how much business schools and the like have contributed to progress anywhere in the world since the UK's plan was published.

Moreover, what they can sensibly be expected to contribute in future is unprecedentedly muddied. Internationalisation and other trends making management more complex are still ramifying.

Fewer and fewer organisations can safely be run on the old hierarchical model whereby a few professional general managers at the top decided policy, then put it into force by pulling separate functional strings labelled finance, marketing, personnel, production, research and development, and so on.

Business schools set up primarily to produce the top decision-makers are being rocked by a profound shift in thinking about management.

The very idea that there are such things as professional general managers — in the sense of people equipped to run virtually any kind of organisation in whatever circumstances — is under serious question.

Even if they exist, there is a growing belief that a few highly placed people can no longer act effectively as the brain of an organisation, handing down their thoughts in the form of instructions to be followed by weaker mentalities below.

Many companies have decided their survival depends on mobilising and harnessing the wits of all their employees, encouraging them to think and act creatively beyond the routine of their jobs.

In sum, the old model with its generalist puppet-masters and functional strings looks more and more like a ball of wool that fell into a basket of kittens. The problem facing management educators the world over is how to unravel the result.

While proposed solutions differ from country to country, in Britain there are two main camps. On the one hand, there is the systematising or top-down school of thought. On the other is the synthesising or bottom-up school.

The official name of the systematisers is the Management Charter Initiative, the word charter having apparently changed its meaning since the MCI camp was formed three years ago.

Then the word looked forward to the creation of Chartered Managers on the lines of Chartered Engineers — fully proficient operators who have passed through a multi-tier qualifying process.

Today, that prospect has been set aside by the mainstream MCI movement. The charter the title refers to is a code of practice, endorsed by some 660 organisations, which boils down to an agreement that management development is a vitally important activity that must be seriously pursued. Even so, the notion of chartered managers is still entertained by one institution linked with the top-down school: the British Institute of Management.

Through the MCI's parent body, the National Forum for Management Education and Development, the school is linked into the state education and training apparatus.

It is recognised as the leading representative group for its subject by the National Council for Vocational Qualifications, and is backed by the government-financed Training Agency.

The nub of the systematisers' thinking seems to be that good managers have in their heads a clear picture of the result that is wanted, and a set of skills which they use to implement the mental design. It is assumed that such skills can be individually identified and specified, and so systematically learned and tested. The jargon term for them is "competences."

At top level, for example, the competences could be of two main kinds. One would consist of strategic skills such as the foresight to divine what the organisation's aim should be, and the analytical powers to plan the best broad way of achieving it. The other kind would be tactical skills including communicative techniques to persuade the workforce to follow the plan, and the knowledge of finance, marketing and so on to monitor and control progress.

At less senior levels the requisite competences would differ in a variety of ways. In general, however, they would probably be not just increasingly tactical as distinct from strategic, but more focused on short-term issues at each lower managerial rank.

The systematisers have pressed ahead with a speed rarely if ever seen in management education. Having decided there should be three main tiers of qualification, they have defined the competences for both the lowest "certificate" stage and the second "diploma" tier.

The results will soon be published as sets of standards, formulated above the heads of individual companies, for the training of junior and middle managers.

Besides offering the standards for use by employers and colleges, the top-down camp is arranging for them to be tested within the state's educational examining framework. Links to that end have been established with the Business and Technical Education Council and the Council for National Academic Awards which approve qualifications awarded by colleges of further and higher education, including polytechnics, outside the university sector.

Establishing examinable standards for the highest "master's" tier is taking longer. While the systematisers have strong connections with the Conference of University Management Schools, individual universities are punctilious about their criteria for examining. Even with the weight of the governmental training and educational apparatus behind it, the MCI may find it hard to persuade them to endorse qualifications based on the notion of competences — which as it has been developed so far, hardly stands up to the test of academic rigour.

By comparison with the top-downers, the bottom-up camp is far less well connected. Its members, although evidently numerous, are individually scattered in companies, consultancies, colleges and universities. Their only institutional support lies in the Association for Management Education and Development which is much better equipped for exchanging ideas than for "Yes Minister" politicking.

The synthesisers' thinking has been summarised in a manifesto agreed by members early this year. Its nub is the view expressed by a good many eminent researchers — such as Dr Rosemary Stewart of Templeton College, Oxford, who for 30 years has been studying what managers actually do in their jobs — that not enough is known about management even to define what it is, let alone divide it into specific competences which can be taught and tested.

Accordingly, standards of performance cannot sensibly be just thought up and systematically imposed on managers in all kinds of organisations. What constitutes good management may well vary markedly between one and another.

The second camp claims that the only way truly effective improvements can be made is by working from the bottom up, with individual companies generating their own practical definitions of what needs to be learned and criteria for measuring it.

If appropriate universal standards can ever be established, which is far from certain, they will have to be synthesised from real-life managers' first-hand experience.

The synthesisers' manifesto:

1. Management development must be integrated with business objectives and market conditions if it is to be relevant to organisations. Respect for organisational culture, values and context is the best way to design appropriate management training.

2. If management development is to improve corporate performance it needs to move from the periphery to the core of the organisation. The organisation must provide a working environment that is supportive of learning and personal development. The organisation should be learning from its experiences and responding to change.

3. Management development is not about quick fixes. Management involves uncertainty, change, and operating effectively within the mess that often accompanies organisational life. Management development may produce more questions about how to manage than it does answers.

4. If managers are to develop enterprising patterns of behaviour at work, management development should demand an enterprising approach to learning. Individuals should be responsible for managing their own learning. Management development staff should be responsible to managers, not vice versa.

5. Management development should adopt a holistic approach because managing engages the whole person. The heart and guts are as important as the head in good management.

6. Management development should build on personal strengths and help individuals realise their potential as creative, enterprising and effective managers.

7. The potential conflict between individual and organisational objectives for learning should be recognised. Personal development plans and learning contracts drawn up between managers and their organisations can provide the basis for integrating an individual's development and the organisation's requirements. It also increases commitment to learning at work by both parties.

Michel Syrett compares UK training with European methods

Greater assessment needed

FOR the past five years, British employers have been bombarded with reports and political commentary that repeatedly links poor UK competitiveness abroad with low national provision of management education.

The debate generated in 1985 by the Coopers & Lybrand-sponsored report, called Competence and Competition, which criticised British lack of training generally, was followed in 1987 by the Handy Report which revealed the extent to which British management training had fallen behind the levels of the US, Japan and other European countries.

Three years on, is there any concrete evidence that UK employers have responded to the messages of alarm and concern?

The Europe-wide survey of employment practices published by the Price Waterhouse Cranfield Project last month suggests they have but that, in common with their counterparts in other countries, increased commitment to training is not always backed up by a proper assessment of their future needs and systematic evaluation of its effectiveness.

The survey is based on the responses of nearly 6,000 employers in France, Germany, Spain, Sweden and Britain. Companies in all countries reported a substantial increase in the money spent on management training during the past three years. But the biggest growth occurred in Britain where nearly three quarters of the employers surveyed said they had spent more on educating all categories of managerial staff.

The survey revealed that better British commitment to management education is also shown in the range of training available to trainees across the five countries.

The spread is widest in the UK, covering all important management skills such as team building, motivation, delegation, staff communication and performance appraisal. It may come as no surprise to discover that the least available type of training for British managers is in languages. Less than half of British employers provide any kind of language training, compared with two-thirds of Spanish companies and three quarters of French organisations.

Prof Bain: sceptical

What kind of skills do European employers say they need in the coming years? Across all countries, the survey shows that business strategy and administration and people management skills are rated very highly.

North European companies are also paying particular concern to customer service and change management, whereas Latin countries rate more technical subjects such as computers and new technology and manufacturing technology. Spanish companies are the only employers to rate marketing and sales skills as a future priority, reflecting the rapid growth of their national economy in recent years.

Swedish organisations are the only employers to target health and the environment as an important skill, in spite of all the talk of a greener Europe. And, in spite of the advent of the European market, languages received one of the lowest ratings of all, reflecting apathy in some countries such as Britain and good state provision of language training in others, such as Sweden and Germany.

Organisations throughout Europe may be spending more on training, but is it money well spent? The survey found that while the majority of companies adopt some formal way of assessing their their future training needs, fewer — far fewer in France and Germany — link their training needs to any analysis of the company's business plan.

In exactly the same way, the methods used to assess the effectiveness of existing training are usually very informal. The number of sample companies relying on informal feedback from line managers and trainees far outnumbers those using tests of other systematic methods.

These kind of statistics raise serious issues of how closely human resource issues are linked to mainstream corporate objectives. As Mr Tony Chaplin, head of recruitment, training and communications at Pilkington, says: "Most companies have training and human resource policies which are supply led rather than demand driven. When assessing future needs, they respond to events rather than anticipating and influencing them."

Yet the supply of good managers is too important to leave to chance and an uncertain labour supply. Earlier this year, Professor Amin Rajan of the City University Business School in central London predicted that up to half the factories in Europe could disappear by the turn of the century because companies lacked the skills and know-how needed to provide the right kind of customised products and services. The cause, he argued, was "a tragic lack of investment in education and training when the world economy went through fundamental structural changes."

The Price Waterhouse Cranfield survey suggests that employers throughout Europe have taken this message on board, and that Britain in particular is making up for the shortfall in management training which occured in the recession years of late 1970s and early 1980s.

With another period of economic instability now affecting UK profit margins, is there any guarantee that this new found commitment will last?

Professor George Bain, principal of London Business School, has his doubts. Speaking recently at a seminar organised by BP Chemicals and the Management Training Partnership, he commented: "Employers tell me they have learned the lessons of the past and they now see training as an investment and not a cost. They tell me that their commitment to management education is constant, and that they will train their way out of the next recession. I would like to think this is the case, but I remain a little sceptical."

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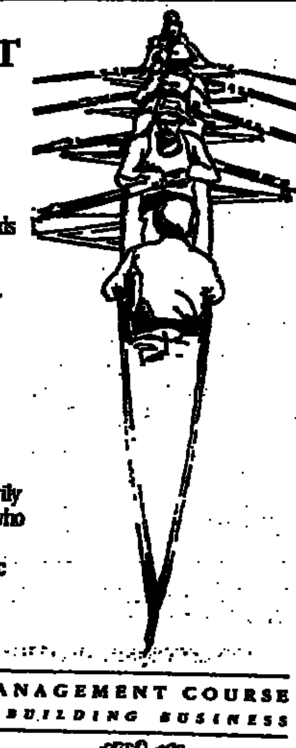

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Lisa Wood examines the re-appraisal of Britain's system of vocational qualifications

Setting standards for all occupations

A RADICAL re-appraisal of Britain's system of vocational qualifications is being carried out by the National Council for Vocational Qualifications.

The organisation, set-up in 1986 under Professor Peter Thompson, has been charged by the Government to set up a structure for evaluating competence-based qualifications.

The objective, in what is a substantial reform of hundreds of courses and their assessment, is that one day National Vocational Qualifications (NVQs) will encompass the full spectrum of occupations – from exhaust fitter to general manager and accountant.

Most NVQs, which are graded at present from Levels I to IV, cover people whose jobs do not demand many formal educational qualifications. However, the scheme will by next year extend to areas of general management and the fringes of of the professions, taking the framework to Level V and beyond.

It is a big task that will take until the next century. On the one hand, there are a host of vested interests to be placated with professions such as medicine and the law, proud of long established examination procedures and wary of a competence-based approach.

On the other, there is a substantial job to be done by the NCVQ with the average British employer still largely ignorant of the new qualifications. It is a task not made any easier this year with the NCVQ putting a freeze on marketing expenditure to avoid insolvency at the council.

The council has frozen all new spending on marketing and research because it has run into financial problems. The financial crisis has been caused because part of the council's income comes from payments from validating boards when they issue certificates for NVQs. NVQs, however, have taken longer to develop than planned. This year the council thought it would earn £1m from this source but revenue seems likely to be nearer £200,000.

The Government is conducting an inter-departmental review to assess the council's objectives and achievements. An important part of the review is to decide whether the NCVQ or government departments should be responsible for marketing this radical upheaval in British vocational education.

It is unlikely that the Government will advocate any radical reform within the NCVQ or voice any great criticism over its progress. NVQs have been slow to develop but this is probably because of the immensity of the task.

Indeed, much of the preparatory work is bearing fruit. Recent months have, according to Prof Thompson, seen a large increase in activity at the NCVQ with 35 new qualifications for accreditation approved by the council, bringing the total to 214.

Among the most active of the industrial lead bodies which have been assisting the NCVQ is the National Retail Training Council which announced recently that some 13,000 people in retailing had registered for the Retail Certificate – the NVQ qualification in the retail sector.

Boots: probably in the vanguard of retailers taking up the NVQ qualification

Boots, Britain's biggest retail chemist, is probably in the vanguard of retailers taking up the qualification. It is to introduce the new qualification for all its new full-time sales assistants – estimated to total 6,000.

Many employers are sceptical of the new qualifications and Mr Gordon Hourston, managing director of Boots must have given the credibility of the scheme a lift when he announced that a pilot project had reduced staff turnover by 14 per cent, improved recruitment and provided more motivation for staff.

He said that staff welcomed the training in the scheme because it left them in no doubt as to what levels of competency they were expected to achieve. They appreciated, for example, the immediate feedback they could expect from supervisors after assessment.

Assessors, according to Mr Hourston also needed to be properly trained, He said: "The credibility and perceived quality of the qualification will depend upon the skill and commitment of assessors and countersigning officers. If the assessors do not have the right skills the qualification will be devalued. The assessors require a significant amount of attention and training and they must attend a recognised and accredited training course on assessment. This will have a significant resource implication in a company of our size offering as many as 6,000 places."

Qualifications for supervisors and general managers are progressing at the NCVQ, with the retail industry in the forefront of developing the qualification which will have a variety of units of competence including those that are sector specific as well as generic management competencies.

Mr Alan Bellamy of the NCVQ said the qualification – which will be at levels 111 and 1V – had taken time to develop because it had been a large task to define the standards.

"Lots of supervisors and managers have no qualifications to show for their job. These new NVQs will open the door to people who have been disenfranchised from the qualification system," he said.

The NVQs are not for those in strategic management although the NCVQ hopes to introduce competence-based elements into qualifications such as the MBA. The NCVQ intends to introduce an element of competence-based assessment into top jobs. Qualifications at the lower end of the professions should have some competence-based units by the mid-1990s.

Progress of the NVQ scheme beyond Level 1V into the mainstream of professions will be slower, not least because many professions will resist any diminution of knowledge-based testing.

Mr John Hellier, director of accreditation at the NCVQ, said there would always be a requirement for knowledge-based testing in the professions but there was scope for introducing some competency-based assessments.

"Some professions are already close to our models. Teachers, for example, have to demonstrate their skills before they can practice. The principle is already there," he said.

Simon Holberton profiles GKN's management programme

The creation of an elite

"I GET accused of trying to create an elite," says Mr Tom Palferman, staff director, GKN Industrial Services for executive development, "and I quite unabashedly answer; Yes I am."

Mr Palferman is talking about the product of a programme for the development of young managers within GKN's industrial services division – a world-wide operation which, in 1989, accounted for 22 per cent of group sales of £2,115m.

The programme, known as the Young Executive Programme (YEP), covers up to eight of the most formative years of the young executives life and takes them through a series of management positions, each increasingly difficult, and a part-time three-year proprietary master of business administration degree.

The aim of the programme is to create executives who, by their early 30s, are fit for a senior management or board position within industrial services. This month, the first group of 24 will pass out after a seminar on international strategic management in Washington.

The origins of the programme lie in the special needs of the industrial services division – businesses ranging from scaffolding to geotechnical engineering services – and the desire to match the strategic needs of the division with the training of future management resources.

Most of the companies within GKN's industrial services division operate from multi-site units. As the division has grown the sites have proliferated and so too the need for trained people to manage them. According to Mr Palferman, it is not unusual for a

Tom Palferman

26 year-old to occupy a position managing a unit with a turnover of £5m.

Unlike GKN's more traditional endeavours in the automotive and engineering fields, industrial services is not a high-technology business; neither is it manufacturing. It is about selling services and the demands on management are different. What GKN is looking for from its managers in industrial services is a flexible attitude: that encourages bottom-up decision making; that delegates, is entrepreneurial and service-orientated.

The special characteristics of the business and the desire to have managers struck from a certain mold came up against one of the inevitable consequences of success: overstretched management resources after a period of rapid growth.

In early 1986, Mr Palferman approached Professor George Holmes, of the University of New South Wales' school of marketing, to help him in devising an initial programme for fast track young executives. They worked on developing an intensive two-week course of study for 24 young executives chosen from GKN's industrial services in Australia and New Zealand. The course was residential and held at the University of NSW in August 1987. It focused on money, marketing and management.

The course was backed by senior management in the UK. Mr Palferman was resident for the two weeks in Sydney and had frequent contact with all the participants. Directors from industrial services in the UK flew to Sydney to participate as well as emphasising to each participant that they were important to the future strategy of GKN.

This experiment became the model for the YEP in the US, Europe and the UK. But there is much more. The management development course is just the first step in a process of management education and development that spans about eight years and parallels the work life of the candidates.

The candidates are selected from the ranks of junior management and if they complete it they will have had a staff appointment at management level, a line management job and finally a posting outside their country of origin.

During this period of accelerated career development the candidates will have completed a three-year part-time MBA. The subject areas covered are not much different from what one would expect an MBA to offer – finance, marketing, human resources management, accounting and corporate strategy. What is different, however, is that the MBA course, first developed in Australia and replicated in the US, UK and Spain, was designed by GKN in association with the institutions offering the degree.

The MBA is modular in design and taken in three two-week "blocks" for three years. The courses of study are essentially the same at the four institutions at which it is offered. It is therefore possible for students to start their studies in the UK and finish it in Australia or the US. More usually, the course is taken in the country of origin, although the candidates location in that country may vary. As the courses are residential, the student simply moves from where ever he or she is located to attend it.

"We wanted to maintain the mobility of the person doing the course," says Mr Palferman. "We didn't want to lose them for a year to a full-time course: we'd probably end up losing them permanently. And we didn't like the idea of a part-time course either: that would anchor them to one place. The MBA we have developed is modular and it can be done from anywhere."

In the year following the completion of the MBA the candidates attend a two-week international management seminar. By this time they have had one staff and two line management jobs, one of which has been in a foreign country.

Mr Palferman describes the international management course as a "top up", the final polish. "It gets them ready for their first senior management or board position," he says.

Throughout this period, from the time the candidates start the YEP with that first two-week seminar to the international management seminar they have been appraised and assessed by their senior managers every six months. Some fall out of the programme; others elect to drop out. Yet GKN regards it as an excellent recruitment and retention device that solves its need for high quality managers at a cost per head of about £25,500 over the eight years.

"We tell them that we are not offering a job but a career," says Mr Palferman. "We are exercising their minds, providing them with a challenge and once we get them locked in to that then their is a lot of second and third guessing before they decide to leave us."

The introduction of the YEP has not been without its problems, especially for mature managers in industrial services seeing bright young things passing them by. Mr Palferman has dealt with this understandable problem by introducing a training programme specifically targeted at the mature manager.

In the UK, the mature managers (over 35 years of age) are able to study for a diploma of management. This qualification is not yet offered in Australia or the US but Mr Palferman is talking to institutions in both those countries to see if the creation of one is possible.

Mr Palferman says there is a wealth of experience among the mature managers that is worth developing. Some are managing profit centres but have had very little management education. "You've got to look after people like your mature managers," he says.

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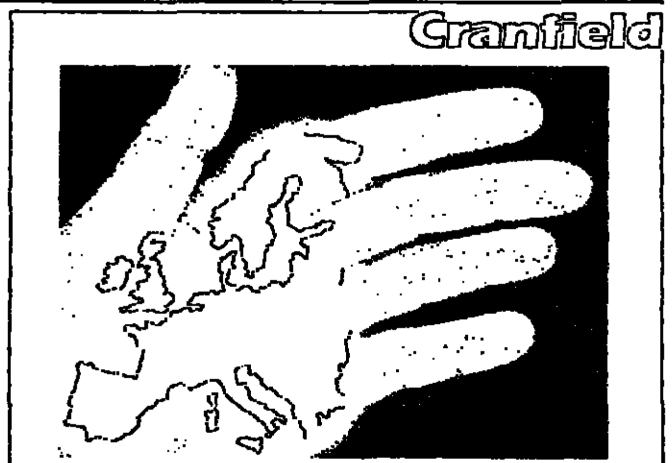

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HAWKSMERE

Simon Holberton talks to Mr Michael Osbaldeston, chief executive, Ashridge management centre

Partnerships that bring better business

Ashridge Management College: where Michael Osbaldeston (right), its chief executive, keeps close to the market

I HAVE little time for the "You have to be distant from the market to remain objective" attitude, says Mr Michael Osbaldeston, chief executive of Ashridge, the British management development centre and business school.

He is talking about business schools and their future. No one could accuse Ashridge of being distant from its market. It is one of the most highly regarded business schools in the UK, especially for its teaching, and one of the few UK schools that competitors on the Continent are eager to know about.

Ashridge's strategy is to offer a broad range of services, consulting as well as training, to its clients. Mr Osbaldeston talks about forging partnerships with companies.

"Companies are increasingly looking to business schools for things in addition to post-experience and post-graduate education," he says.

He says partnership provides not only continuity for the company but it helps in providing the necessary follow through to the implementation stage of any project that brought them to the school.

It is also good business for Ashridge. If it can keep the clients coming back it enables it to sell more services than it perhaps otherwise might be able to do. It also provides the raw material for research.

In the 1970s, Ashridge offered mainly open courses for managers, by the mid-1980s it had grown to a position of dominance in offering tailor-made training programmes for companies. It offers a master of business administration and has developed into other fields.

Since the mid-1980s, however, Ashridge has sought to broaden and to present itself to the world as an organisation that offers more than just the standard one or four week training course.

A number of activities have been hived-off and consultancies bought in so that by the beginning of this year there was:

- Ashridge Management College. This offers what Ashridge is best known for, the short duration courses, both external and internal, and the MBA programme
- Ashridge Consulting Group. This was set up five years ago to deal with organisational and human resources issues
- Ashridge Management Research Group. This used to be the research division of the college and was hived-off at the beginning of the year as a separately capitalised entity. It conducts research projects and surveys for companies and governmental bodies. It also works on research methodology and women's issues
- Ashridge Management Research Group. This is a London-based applied research group run by Mr Michael Goold and Mr Andrew Campbell, formerly of the London Business School. It was acquired three years ago and looks at multi-business organisations and the development of corporate strategy. It is partly funded by companies which join a club and sponsor research
- Independent Assessment and Research Centre. This was acquired last September and also with AMRG is located in London. It offers occupational psychology consulting services.

Mr Osbaldeston calls the above Ashridge's "portfolio" of services and says that in the next five years he is looking to expand the portfolio further either by creating or acquiring more management development services. "Management development needs to be much more integrated so you can't see the boundaries between research, consulting and education."

It also needs much more follow through. He says that companies are wanting more from their management educators. As in the management consulting industry so to in management education: a lot of schools can can help in formulating the strategy, but implementation is often ignored. Through the portfolio, Mr Osbaldeston believes Ashridge can meet the emerging needs of the market for closer, more co-operative relations between school and client.

The development of Ashridge's base is one aspect of the way it is approaching the 1990s; the other is its attempt to internationalise itself. Mr Osbaldeston believes that few in the UK are prepared for the demands of internationalisation.

In the UK, he believes, business schools are British institutions, staffed with British faculty and dealing mainly with British companies. If the challenge for business is to go from being a domestic player to operating in the global market then it is the challenge for business schools as well.

Ashridge has joined with the Universitats seminar de Wirtschaft in Cologne and the Centre de Perfectionnement aux Affaires in Paris to mount a trans-European programme for the development of senior managers. The first seminar took place in Cologne and Paris in March, with delegates participating in both cities. Furthermore, Ashridge will run its leadership course in Switzerland and Belgium this year.

Mr Osbaldeston believes that the best way for Ashridge to achieve its aim of internationalisation is by establishing a management centre on the Continent. "We are talking to a US management education provider with aim of establishing a European centre," he says.

The new institute, which, he hopes, will be operational by late 1991 or early 1992, will be staffed with a combination of new appointments and secondments from the two parent bodies. The new college will offer courses on international business, targeted at senior management activities; it will not provide a qualification; it will offer open courses and be research orientated.

"It will offer a much closer integration between research, consulting and education. It will look at how companies can better implement strategy internationally."

Ashridge scores highly in its teaching competence; its plans to move offshore are bold; but there is one aspect of its work that, in the bitchy world of management education, it is always criticised: the quality of its research.

Mr Osbaldeston is robust in defence of his institution: "A lot of research that's done in business schools is done for referee journals with promotion in mind," he says.

"We want to spend more time and money on applied research; that is what ASCM and AMRL will be doing. We don't want to be doing reactive research.

"There is a distinction between being intellectually rigorous and academically remote. The research we do should be intellectually rigorous and that is what should drive the research not academic aims."

TECHNOLOGY AND BUSINESS

An educational blind spot

TECHNOLOGY has always been somewhat of a blind spot in management education.

The importance of technology is not reflected in the majority of UK general management programmes, in spite of the fact that it is having an increasing impact on the nature of management, with profound implications for training needs, career paths and relationships within organisations,

"Few business degree courses cover much technology, and hardly any MBA or executive programmes offer much in this area", says Professor Ray Wild, newly appointed principal of Henley Management College and editor of the recently published book Technology and Management.

"As a result, it is rare to find one person that understands both technology and business. Managers without science and technology backgrounds are often apprehensive and wary of the need to learn more about technology in order to cope with their changing roles. Technologists entering managerial roles usually have a blind faith in the technology and an inadequate understanding of the management implications and the human effects."

The consequences have been most widely felt in the introduction of information technology.

A report three years ago by Philips Business Systems revealed widespread concern about the lack of professionals who could apply information technology to the needs of the business and deliver practical technical solutions; and also of managers able to recognise what technology can do to create business opportunities.

The report identified a "lost generation" of managers too old to have been given formal computer education yet deeply involved in business strategy.

Of the senior managers surveyed, 64 per cent had received no training in information technology and many of their employers had no plans to provide it.

The survey also found that half of the directors of personnel and management services had also made no provision for the training of fast track executives who would be their successors.

Concern over the gap that exists between managers and technologists has led to the development within organisations of hybrid managers – individuals who combine competence in information technology with a thorough knowledge of the human resource and organisational implications which will enable them to use information technology strategically.

A joint campaign by the British Computer Society and the National Computing Centre aims to create a minimum of 10,000 of this kind of manager in the UK by 1995.

The task will not be easy. The BCS working party set up to examine the subject found that business managers will need to spend at least three years working in an information technology department to acquire a proper knowledge of computing skills, and that approximately the same time would be required by data processing specialists in a mainstream business role.

Senior managers with a traditional business education have already been found to be defensive about their lack of understanding of sophisticated technologies such as fourth generation languages and the latest object-orientated programming.

'It is rare to find one person that understands both technology and business'

Companies pioneering the development of hybrids such as Esso, the oil company, have found that, although they benefit from more efficient information technology operations, the training is long and time-consuming.

The defensiveness of traditionally business trained managers to information technology raises further concerns about the emphasis given to the subject in some general management programmes.

A recent internal survey conducted by one of Britain's leading business schools found "a number of faculties that have a totally negative or neutral attitude to the use of information technology for educational purposes.

"This is not just limited to its application for teaching or the achievement of the development needs of the course but, more significantly, towards meeting the educational needs of management in the business world."

The report based on the survey concluded: "The results from (our survey of) faculties could be interpreted that there is a considerable lack of understanding within the business school of the development needs of the general manager in the modern business world. The school should be aware of how the business world is exploiting the potential of information technology, the impact of these changes on business management and how the teaching content and method can be changed to suit these needs."

Prof Wild feels that technology is the single most important and difficult area currently facing managers. He argues that a greater "core body of knowledge" is required to underpin "the diffuse and heterogeneous" tuition provided on the management of technology.

Prior to taking over as principal of Henley, he was head of Brunel University's department of manufacturing and engineering systems and he intends to exploit Henley's close links with Brunel to increase the college's activities in this area.

Nevertheless, the use of technology as a strategic weapon in business is still a subject receiving too low a profile in UK business courses.

This is in stark contrast to programmes in other countries, most notably in the US, where managers are often better acquainted with information technology than their British counterparts and where career opportunities for data processing professionals are frequently more attractive.

As Mr Adrian Campbell, research fellow at Aston University's business school, concludes in Prof Wild's book on technology and management: "Senior managers must be educated first if useful learning is to occur on any scale at operational level or below. Far greater resources need to be directed towards management education and development if the investment currently being made in technology are to produce results across the organisation as a whole."

Michel Syrett

BRIGHTON POLYTECHNIC

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FRENCH FESTIVALS

Colourful tribute to the painters' poet

Anthony Curtis looks at Avignon's homage to the work of René Char

A major exhibition, held in the Council Chamber of the Papal Palace, has always been one of the main features of the Avignon festival. It seems appropriate that what we are told is the final exhibition of this kind to be held there, should be one in which the work of Braque figures prominently. Braque was one of the painters exhibited in the first such exhibition in 1947. This year's exhibition is, in fact, devoted to the poet, René Char. It is one of a number of events in this year's festival that pay tribute to his work. Char was a friend of Braque who worked at L'Isle sur la Sorgue, near Avignon, where Char was born and of which his father was the mayor.

The figure of a white bird in full flight cleaving the clouds with its wings, seen in the paintings here, is one that is common to the poetry of Char and the post-war paintings of Braque, for it both symbolised hope during the Occupation and the renaissance of France afterwards.

Braque was by no means the only painter whose work seemed to have a natural kinship with Char's limpid prose-poetry. Char celebrated the act of creation in all its forms, from poetic creation to the mysteries of pre-history. All his work is linked intimately with the landscape of Provence, which he knew as a child, as a resistance fighter and, finally, as a famous man-of-letters. No poet can ever have shown a greater gift for forming alliances with his creative colleagues across the whole range of the arts.

Thus, there are drawings by Picasso and Wifredo Lam of mythological beasts here; there is a painting by Miró showing daybreak, another by da Silva describing sleep, and a third by Matisse entitled Dream. There is an uplifting abstract by Kandinsky, putting the accent on the colour rose, and a fine painting of gulls in flight by de Stael; a forest by Giacometti, a cosmological mobile by Calder.

All of these artists and many more were friends of Char's and all at various times involved with his work. The fruits of his amicable relations with them are to be seen in abundance in the exhibition, which has been compiled with the co-operation of his widow, Marie-Claude Char. The earliest of Char's alliances was the one he made with the Surrealists, when Char was a young writer making his name in Provence. Eluard Breton and, later, Dali discovered they shared his view of poetry, and he became an active member of the pre-war Surrealist movement, signing manifestos and making public gestures of protest.

L'Isle sur Sorgue, the beautiful old Provencal town where Char grew up is not, indeed, a real island, but its streets – nowadays crammed with cars – are threaded romantically by the river. It is still a favourite haunt of artists and contains several well-run small art galleries, all of which have currently mounted exhibitions of paintings and photographs devoted to Char. Many of these give an impression of what the place was like in Char's childhood through photographs of the inhabitants, fishermen who for many generations farmed the abundant trout in the river. There are also pictures of the great turning wheels of the watermills, one of Char's most abiding memories.

In 1948 Char wrote a play, *Le Soleil des eaux*, about these river-folk which turned on the threat to their livelihood posed by the establishment of a factory on the banks of the river. Its flow of toxic waste effectively kills off the supply of fish and inspires a revolt. The play is Char's longest, most sustained work, leaving a vivid impression of a lost way of life in this region. When it was first performed on French radio, Boulez wrote some music for it, and this will be played here in a concert by the French National Orchestra conducted by Boulez as part of the festival.

During the war, Char served as an officer in the French army, and, after the fall of France, he returned to Provence. During the 1930s he had been in the habit of spending part of the summer in the village of Céresto, in Haute-Provence, where he had a small house. From here, he joined in the resistance movement and took the code-name of Major Alexander. He left some graphic pages describing this agonising period. On the Liberation he became an officer with the Free French forces and served in Algeria as a liaison officer for de Gaulle's troops. In the exhibition, we see, among other memorabilia of that time, his armband and the certificates he received from the allies at the end of the war, which had been decorated by Miró.

Char soon resumed his poetic career in the new post-war France and found fresh sources of inspiration. He was a writer who paid particular attention to the printing of his work. There are different theories of his beautifully presented texts on view here, including some minuscule ones hardly bigger than a postage stamp, all of them delightfully illustrated.

He shrugged off his Surrealist past and flirted with the philosophy of Martin Heidegger, who became a friend. He was also fascinated by the cave paintings at Lascaux and the pre-Socratic philosopher, Heraclitus, he had studied as a young man. But, as the extracts from Char's later works, blown up in big type and high-lit on the walls of the Papal Palace, reveal, he never relinquished his native Provençal simplicity by becoming pretentious or obscure.

After a long and richly creative life, Char died in 1988. This exhibition is a fine memorial to his labours and to his integrity.

Les Indes galantes

AIX-EN-PROVENCE FESTIVAL

A chic summer festival joke? The finale of "Les Indes galantes"

The big show of the 1990 Aix-en-Provence Festival is *Les Indes galantes*, Rameau's opera-ballet of 1735 (supplied with the fourth and final act that he added the following year). It is given, absolutely complete, by Les Arts Florissants, the noted French period-performance company, with its sibling dance-troupe Ris et Danceries; and it is indeed a curious extension of company efforts.

"Rameau le taciturne:" an essay in the Aix programme-book characterises him thus. Would he have been provoked to utterance by this revival – "authentic" in the pit, late-20th century burlesque on stage? Would he have let rip a few precisely chosen expletives? Since the style and substance of Alfredo Arias's production (in the sets of Roberto Plate and brilliantly cut and coloured costumes of Françoise Tournafond) and of Ana Yepes's choreography amounts to a comprehensive statement of non-belief in the work's intrinsic revivability, my guess is that he might.

The opera-ballet form of *Les Indes galantes* does admittedly pose problems for late-20th century audiences. Made up of a mythical prologue and four *entrées* – "The Generous Turk," "The Incas of Peru, The Persian Festival, or The Flowers," and "The Savages" (of newly-explored North America) – it can be reckoned an enlarged divertissement, a fantastic entertainment made in equal parts of pageant, masque, and dance-spectacle. The four dramatic episodes of Fuzelier's libretto are linked by the most tenuous of themes (love conquers all in the earth's most exotically remote regions); they are no more than carefully calculated vehicles for Rameau's arts of theatrical colour, mood variety, pace, and timing.

In this respect *Les Indes galantes* contains some of the most cherishable examples of this composer's startling genius for seizing an opportunity and pursuing it to the limit. In small, as it were, the concentration of the music is remarkable and exhilarating: the tragic grandeur of "The Incas" and (in spite of its feeble plot-point) the beguiling, lulling charms of "The Flowers" are built up in a tiny space, with vocal and orchestral strokes that take the breath away.

But times change, ideas about what may constitute diverting entertainment likewise; and our perception of exotic, faraway places and people is hardly that of the early 18th century. (The "noble savages" of North America have, in fact, some useful lessons to teach the French and Spanish colonial types about constancy in love.) How to present *Les Indes galantes* in a way that re-invents its dramaturgy?

After the last war the Paris Opera used it to show off company wares (including a huge cast of eminent singers) on a grandiose scale. An English Bach Festival-type period production could take us some of the way. Surely the least imaginative, and laziest, route is that chosen by Arias and his gang of accomplices – the send-up of 18th-century conventions, which mixes modern and period clothes and routines in laugh-a-minute manner in order to reassure the audience that Rameau's elevated theatrical style is no more than a chic summer-festival joke.

The giveaway article of the producer's lack of confidence in the work is its play-within-a-play format – the show takes place in a circus tent, and the chorus, in glam evening dress, is the audience. There are children, waiters serving drinks, high-jinks with joke-props (Huascar the Inca High Priest pulls out sunglasses at the peak of his magnificent Prayer to the Sun). The bottom is scraped in the finale, with savages got up as punks and the "Dance of the Great Peace-pipe" a tacky exercise in passing around marijuana joints; during the curtain calls one of Rameau's most filigree choral dances is brought back for a communal cast rave-up.

Objection to this sort of carry-on is not mere purist prudery. Even on its own self-congratulatory terms the logic of the staging constantly breaks down; and the level of humour is clunkingly low – Wendy Toye's 1960 Sadler's Wells production of *Orpheus in the Underworld* did this sort of thing more deftly, and with rather better justification. The Aix audience loved it all, it's true; your grim-faced critic was almost submerged in a sea of surrounding jollity. But "success" of this kind is the easiest thing in the world: the Hytner *Xerxes* and *Julius Caesar* approach, genuinely witty and sophisticated in understanding of 18th-century theatrical modes, is harder to come by.

What on earth were William Christie and his Arts Florissants doing *en cette galère*? The finesse, plasticity, and loving sense of the distinctness of Rameau's inventions acted as a constant reproach to the larks on stage (in the open-air Archbishop's Palace theatre the edge was sometimes taken off the brightness of the scoring). When the company comes to record the work, next January, the high qualities of the performance should be more easily appreciated; meanwhile, bravos for the stylish singing of (among others) François Le Roux, Laurence Dale, Nicolas Riveng, Isabelle Poulenard, Miriam Ruggeri, and Jean-Paul Fouchécourt.

Max Loppert

Salieri

RAVENNA FESTIVAL

It is easy to refuse belief to the stubborn legend of Salieri having poisoned Mozart: it is harder to dismiss the notion, most successfully presented in the play and film *Amadeus* that, while Mozart had genius, poor Salieri had only talent. Well, come to think of it, what's so bad about talent? Perhaps in an effort to right the scales of historical justice, in recent years there have been some attempts, especially in Italy, to resuscitate Salieri, and as a revival of his *Falstaff* in Parma a few seasons back clearly demonstrated, he is a composer who rewards attention. All right, he was no Mozart, but he was a musician of charm, taste and – on occasion – superb achievement.

The Ravenna festival, this year under new and dynamic direction, has scheduled several Salieri works for performance, of which the most important is his tragedie-lyrique of 1784, *Les Danaides*, recently given three performances at the Teatro Alighieri. Enthusiastically conducted by Gianluigi Gelmetti, elegantly designed and staged by Pierluigi Pizzi, the work made a strong impression. In this version, however, it offered only about an hour-and-a-half of music, so its five acts must have been considerably trimmed. In fact, there seemed to be something curt about the drama. Now that this streamlined edition (from the archive of the RAI, prepared for a long-ago broadcast) has won respect, it would be good to hear the score in proper, critical, complete dress.

But even in this cut presentation, the music was fascinating. At its original performance, *Les Danaides* was billed as a joint effort by Salieri and Gluck, his great protector and friend. When the work triumphed, Gluck withdrew his name and announced that the music was entirely Salieri's. For that matter, it does not sound exactly like Gluck, though it has some of the older master's nobility and intensity. But it also has an Italianate tenderness (even an occasional pre-echo of Bellini). What sound like hints at Mozart and Beethoven place the opera firmly in the context of its period. More important, there are scenes of strong dramatic efficacy, while even the dance music (which must have suffered the most cutting) is never merely decorative, but a relevant element in the narration.

The original libretto was by Calzabigi for Gluck, who never set it but after years of keeping it in a drawer, turned it over to two Paris poets, Francois Le Bland du Roullet and Ludwig von Tschudi, who adapted it for Salieri. Even in this adaptation, the text retains some of Calzabigi's admirable terseness, his simple and direct language, his clear exposition. Though the story of King Danaus, his 50 daughters and their 50 fiancés, whom he orders murdered, is not exactly neo-realism, Calzabigi, the French poets and Salieri make it convincing and affecting.

In Ravenna, it enjoyed a thoughtful and persuasive execution. Gelmetti's admiration for the score was evident in his total commitment, and he conveyed his feelings to the orchestra of the Teatro Comunale of Bologna (the chorus seem less enthusiastic). In the star role, the young Daniela Dessì passed every test of the sometimes elaborate, often taxing music, creating a totally credible moving Hypermnestre, while the tenor Raul Giménez was a personable, positive and lyrical Lyncée. The deeper voice of Jean-Luc Chaignaud (as the vindictive King Danaus) proved supple and pleasing: he also – naturally – best enunciated the French words, though his colleagues did well.

Pier Luigi Pizzi divided the action on two levels: on stage level downstage, on a kind of circular podium a few steps up, in front of a platform framed in wide circular apertures, which could narrow as required. A parallel circle, towards the rear, framed the apparitions of the final scene. In this set all heads – one with torso and upraised arm – a Medusa-like mask (of the goddess Nemesis) were virtually the only scenery; and they created the suitable atmosphere of tragic menace. The costumes, largely in dull gold and shades of blue, were more 18th century than BC, and were in perfect keeping with Pizzi's coherent view of the piece. He kept the chorus seated, for the most part, and moved the principals economically. Some mimes, for once, did not disturb but actually clarified the unfolding of the drama.

William Weaver

Dance in Italy

AGRIGENTO AND TURIN

At a time when no text seems sacred, the fidelity of the Stanislavsky-Nemirovich-Danchenko company of Moscow to Vladimir Bourmeister's famous production of Swan Lake savours of the prodigious. Neither Bourmeister's death nor the arrival of Dimitri Briantsev as director has (so far) led to changes. Since this version is in many ways superior to most of its current rivals, the company's tenacity is to be applauded.

The one renovation that is urgent is the provision of new sets. The backcloth that was taken to Agrigento this month for the "Panatenee" festival is the original one, which has been in continual use since 1953. Unsurprisingly, it split all the way across on arrival, and it proved impossible to effect an emergency repair, so the lighting was turned down to make the disaster less visible.

However, since the backcloth, showing a curiously snowy-looking lake, lacked interest, whereas the dancing was of the highest calibre, it made sense to concentrate on that. Besides, the costumes were either kept in incredibly good repair or new ones had been supplied, which seems more likely, as the colours and materials were highly superior to anything coming out of Russia in the 1950s.

When Bourmeister took his production of Swan Lake to the Paris dance festival, it scored such an immediate success that in its wake, in 1960, the Paris Opera Ballet asked Bourmeister to stage at the Palais Garnier the first full-evening Chaikovsky ballet in its history. Early in 1964, Nicholas Beriozoff adapted and reduced it for the company at La Scala, Milan, this production being inaugurated by Maya Plisetskaya and Nikolai Fadeyechev.

Bourmeister's revisions to the choreography, particularly in the lakeside acts, cannot be considered improvements. Moreover, if the outsize role assigned to the jester were not danced and mimed as superlatively and likeably as it was at Agrigento by Lantratov, his intrusiveness would be quite intolerable.

Svetlana Smirnova is one of the best Odette-Odiles to have come my way in the last decade – indeed, one of the few who combine a formidable technique with both lyricism as Odette and glitter as Odile. Vladimir Kirillov, tall and elegant and a magnificent partner made a noble Siegfried, who danced very persuasively the melancholy solo somewhat infelicitously interpolated into the Act 1 *pas de quatre* that replaces the original *pas de trois*. It makes a change these days (not a disagreeable one) to see a non-dancing Rothbart: mostly stationary atop his rock, Zaharov had little to do in the lakeside acts but flap his huge wings. On the other hand, he was much in evidence in Act 3, when he brought Odile and all the performers of the national dances in his train, looking so villainous that Siegfried's perplexity was comprehensible.

This was the first production to open with Odette picking flowers and then enfolded inside Rothbart's wings, to reappear immediately as a swan gliding, a little choppily, across the lake. Unlike the Kirov and the Riga ballet, the Stanislavsky production retains the once mandatory Soviet happy ending, with Odette restored to her human form, though her companions are not seen at the end.

Not only the principals but also the corps danced splendidly, including the 14 fiancées, the polonaise and mazurka dancers, in soft boots, the three leading swans and the little swans. The company style is large, ample, precise and musical.

The presence of the company's own orchestra, under its dynamic and impassioned conductor, Evgeny Kolobov, added greatly to the quality of the performance. At the rehearsal the previous evening the company's high standards emerged clearly from both Kolobov's commitment and that of the ballet mistress, Margarita Drozdova, once herself an Odette-Odile and now a stern task mistress. When it returns to Italy towards the end of the year, it will be particularly welcome as a result of this brief visit to Agrigento and Pompeii.

A company from further north than Moscow made its Italian debut a few evenings earlier, when it closed the Turin dance festival. Mai Murdmaa, the choreographer who directs the Tallinn Opera Ballet of Estonia, seems to have in common with Bourmeister a love for the intensely theatrical. This is clear in her versions of "The Prodigals" and "The Miraculous Mandarin," which both emphasise the dramatic content. Her choreography concentrates also on sensuality, as I remembered from the two *pas de deux* of hers that were included in a Soviet bits-and-pieces programme at the Teatro Olimpico in Rome in the early 1970s. Subtlety seems to be outside her range, but her choreography is incisive and strong and demands technical and expressive skills of a high order.

From a dramaturgical point of view, Murdmaa does not appear to pay sufficient attention to credibility. For instance, in both ballets the dancers in the title-roles wear such an absolute minimum that they could not possibly be secreting valuables about their persons, so there is no justification for them to interest robbers. In both ballets, the only female dancing roles call for an acrobatic technique and feminine wiles to capture promising-looking prey. Igor Vasin, the prodigal son, has an exceptionally beautiful physique, a good, stylish technique and youthful vulnerability (he is only just into his 20s). The father is not quite as authoritative as Balanchine's and I wondered about the identity of the woman who seemed to bless the departing boy. Murdmaa follows Kochno's invention of the two sisters and the omission of the elder brother.

In the Bartok ballet, the heavily-charged eroticism was well handled, Viktor Fedorcenko making an unusually convincing figure of the mandarin, thanks in part to his commanding presence. The other male characters were rather perfunctorily dealt with, the accompaniment was recorded, and the apology for decor is better passed over.

Only a section of the company came to Turin, so it is impossible to judge the opening grand pas hongrois from "Raimonda" in Sergeyev's production. The corps de ballet was too small and the women's white costumes too economically produced. Only Andrey Ismestiev made his mark. Until it is possible to see more of the company, with scenery and if possible with orchestra, one can only come to the tentative conclusion that Murdmaa is more of a choreographer than most of her colleagues in that part of the world, and that the male dancers in her company are worthy of note.

Freda Pitt

ARTS GUIDE

July 20-26

OPERA, BALLET AND MUSIC

London

English National Opera at the Coliseum: no performances until August.
Royal Ballet at Covent Garden: *Romeo and Juliet* (today) and *Swan Lake* (Wed). **English National Ballet at the Coliseum,** performs Ashton's *Romeo and Juliet* (Fri-Sat, Mon-Tues) and *Onegin* with Ekaterina Maximova as guest (Wed).
London Bach Orchestra conducted by Nicholas Kraemer plays the six Brandenburg Concerto's. Barbican Centre (071-638-8891).

Festivals in France

Aix-en-Provence
Rameau's *Les Indes Galantes* are conducted by William Christie, Mozart's *Die Entführung aus dem Serail* by Hans Zender and there is a re-run of *Don Pasquale*. Ends July 29 (42233781).
Montpellier
Franck Martin's *Golgotha* and Apolloni's *Ebre*. Ends Aug 2 (42301460).
Paris
Festival Estival: Orchestre des Jeunes des Pays Bas conducted by Gaetano Delogu. Glinka, Shostakovich, Brahms. Auditorium Des Halles.
Vocal Ensemble Sagittarius and Consort de Violes O. Gibbons conducted by Michel Laplenie perform Demantius, Schein, Schütz, Saint-Severin church (Wed).

Brussels

Marc Grauwels (flute) Daniel Blumenthal (piano), Lieve Schuermans (flute) playing Schubert, Ravel, Debussy, Mozart, Bizet, Verdi (Wed). Chapelle des Brigittines (513 89 40).

Munich

Opera festival. The last week of performances includes a Rene Kollo Lieder recital, accompanied by pianist Irwin Gage in Schubert's *Die Winterreise*; *Le Nozze di Figaro* with Pamela Coburn, Barbara Bonney, Cornelia Wulkopf, Ann Murray and Wolfgang Brendel; *Giselle* with wonderful Peter Wright choreography; *Die Zauberflöte* with Hellen Kwon, Pamela Coburn, Kurt Moll, Hermann Prey; *Nabucco* stars Julia Varady, Alain Fondary and Yevgeny Nesterenko. The old traditional Otto Schenk Der Rosenkavalier with Judith Beckmann, Kurt Moll, Marilyn Schmiege, Barbara Kilduff and Georg Paskuda, is conducted by Heinrich Hollreiser; the successful Danton production has John Broecheler outstanding in the title role.

Weimar

Cultural Festival (July 16-Aug 11). The centre of German classical culture is staging the first pan-German festival, profits from which will go towards the reconstruction of this badly neglected city. Directed by Karl Steff-Wolfsjaeger, the festival is staged in the original houses of Goethe, Schiller, Liszt and Bach, who are the central themes of the four-week event. Among the artists appearing are Eva Lind, Alan Titus and the Bavarian Radio Orchestra, under Ralf Weikert, Rudolf Buchbidner, Barry Douglas, Alexis Weissenberg, Will Quadflieg, Helmut Lohner and the Weimar Theatre Ensemble (0228/693969; fax 695158).

Bayreuth

Once again, Bayreuth will be the centre of attraction for Wagner fans, appearing from all parts of the world to attend the special atmosphere on the so-called "green hill." This year's festival opens with the premiere *Der Fliegende Hollaender* in Dieter Dorn's production, conducted by Giuseppe Sinopoli, with two Bayreuth debut singers - Elisabeth Connell as Senta and Barbara Bornemann as Mary. The cast includes Bernd Weikl in the title role, Reiner Goldberg (Erik), Clemens Bieber (Steuermann) and Hans Sotin (Daland) (July 25, Aug 4, 7, 16, 19, 25, 27). Wolfgang Wagner's 1989 production of *Parsifal* will be sung again by the acclaimed William Pell, in the title role, and conducted by James Levine (Aug 2, 6, 14, 17, 20). Harry Kupfer's Ring Cycle version, conducted by Daniel Barenboim, with nearly the same cast, apart from another newcomer to Bayreuth, Inpoul Elming as Siegmund, and Siegfried Jerusalem singing all Siegfrieds parts (July 27, 28, 29, Aug 1 - Cycle I/ Aug 8, 9, 11, 13 - Cycle II/ Aug 21, 22, 24, 26 - Cycle III). *Lohengrin*, to be recorded for television, has Paul Frey in the title role and will be conducted by Peter Schneider (July 26, Aug 3, 15, 18, 28) Festival from July 25 to August 28.

Barcelona

Grec 90 - Barcelona summer festival. Rossiniana - a selection from operas by Rossini including *Il Barbiere di Siviglia*, *L'Italiana in Algeria*, *Il Turco in Italia*, *La Cenerentola*. Singers led by Enzo Sara and accompanied by the Orchestra and Choir of the Gran Teatre del Liceu conducted by David Robertson (Thurs 26, Fri 27). Teatre Grec. (318 25 25).

Ravenna

Ravenna festival
Scala Philharmonic Orchestra
Schubert's Unfinished symphony and Beethoven's 6th. Rocca Brancaleone.
Festival ends July 31. (32577)

New York

New York Grand Opera. Free concert performance of *Turandot* in Central Park at 72nd St (Thur). (360 2777).
Australian Ballet. Performances of *Spartacus* alternate with *Suite en blanc* and *Giselle*. Metropolitan Opera House (362 6000).
Mostly Mozart Festival Orchestra conducted by Mark Elder with Barry Douglas (piano) and Richard Stoltzman (clarinet). Janacek, Mozart, Haydn (Tue, Wed). Avery Fisher Hall, Lincoln Center (874 6770).
Tokyo String Quartet with Richard Emanuel Ax (piano) and Alexander String Quartet. Mozart, Schumann, Mendelssohn (Thur). Avery Fisher Hall, Lincoln Center (874 6770).

Chicago

Ravinia Festival: Leon Fleisher (piano) and Theater Chamber Players of Kennedy Center. Takacs, Robert Saxton, Bach/Brahms, Scriabin, Blumenfeld, Strauss/Godovsky, Korngold. Highland Park (728 4642).

Handel's Belshazzar

ROYAL ALBERT HALL, RADIO 3

In its semi-stagings of opera the Proms could be said to have re-created its own tradition of the dramatic oratorio, but on Sunday one of the grandest, most colourful of all Handel's oratorios took over the Albert Hall. *Belshazzar*, a collaboration in 1744 between Handel and his *Messiah* librettist Charles Jennens, is one of the most demanding and virtuosic of all such works, treading the thin line between concert hall and stage, and requiring an extra high level of dramatic realism from its chorus and soloists.

For Handel's and Jennens' treatment of the story of Belshazzar goes far beyond the Biblical narrative from the Book of Daniel. That, with its famous description of the great feast, takes up only the central section of the oratorio; the first part sets the scene, introduces the protagonists and uses a range of historical sources – Herodotus, Xenophon – to open out the canvas and to place the drama in a much more detailed context. Later, too, the fall of Belshazzar as prophesied at the feast is fleshed out and his final defeat at the hands of the Persians fully integrated into the story; in the Old Testament (and consequently in Walton's *Belshazzar's Feast*) it is dispatched in a single line.

Trevor Pinnock took charge of this performance, with the English Concert and its Choir and a distinguished band of soloists. It seemed, to this baroque non-specialist, an exemplary realisation, lovingly fashioned, theatrically vivid, sometimes sensuously beautiful. If the choral contributions are singled out first, it is only because they are required to be so protean, representing in turn Belshazzar's courtiers, the Jews, the Persians; Pinnock obtained from his singers wonderful involvement, lithe, purposeful part-writing and a tonal quality that must have dispelled anyone's lingering doubts that "authentic" performances must perforce be undernourished and constrained.

The soloists were headed by Anthony Rolfe Johnson's Belshazzar, covering his lines with impeccable diction and a tone that never became forced, even at its most powerful and tyrannical, and James Bowman's suave, almost too patently persuasive Daniel. Arleen Auger's Nitocris and Catherine Robbin's Cyrus epitomised the accomplishment of the enterprise, in which the considerable demands of Handel's vocal lines, their presumption of an intimate musical and theatrical fusion, were met with unblinking assurance.

Andrew Clements

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Tuesday July 24 1990

Late switch for power

THE THATCHER Government's announcement yesterday that it is considering the sale of PowerGen, the electricity generating company, to Hanson had all the appearance of a quick fix to pull its largest privatisation project out of a hole.

The Government's bankers and advisers have persistently warned that it might be difficult to sell two very large power generating companies by popular flotation before the next election.

One reason is that most people knew little or nothing of the old Central Electricity Generating Board, since the retail electricity boards occupied most of the advertising limelight. Despite expensive corporate "awareness" campaigns, the successor companies, National Power and the smaller PowerGen, are still far from household names, such as British Gas.

Because serious mistakes were made by Mr Cecil Parkinson, the former Energy secretary, in deciding how electricity should be privatised, the timetable slipped so badly that an orderly sale of the two generators, one after another, could not be fitted in. It was decided therefore to sell them both together. However, those responsible for engineering the sale have been worried that if one of the companies gained a significantly better press, the other might be beached on the underwriters. The alternative of making them a tied sale might cause indigestion for small shareholders, and in any case would be scarcely compatible with the idea of launching two fighting fit competitors with guns run out for action.

Difficult sale

The UK Government's travails have been worsened by the difficulty of its negotiations with the generating companies about their appropriate cargo of debt on flotation. With such a difficult sale to the public, the temptation to lighten the ballast and let them go cheap must be considerable. Yet ministers clearly fear that the cheers of the new shareholders could be drowned by the booing of the opposition party if they were to grease the slipway too liberally.

Enter Lord Hanson. If he were to buy outright PowerGen, accounting for about 40 per cent of the non-nuclear power stations, a public flotation of the remainder would become simpler, both for officials and the subscribing public. Moreover, there has always been a respectable argument that a privatised electricity industry would benefit from the injection of tougher management techniques, which large established companies could provide.

Cheap assets

No doubt Hanson is drawn by the scent of assets being sold cheaply, as would certainly happen if both were floated at once. However, the Government may plausibly argue that proceeds from a private tender might be greater than from a public flotation.

To ensure that a fair market price is obtained, PowerGen should be offered on the international market, certainly to European, and preferably to US companies also. Yet the political storm caused by French purchases of UK water companies must raise doubts whether the Thatcher Government has the stomach to be so radical. The Government's promise that Hanson would be forced to share the profits of future power station disposals with the state, suggests that ministers have not thought the implications through. If the assets cannot be properly valued they should not be sold in such a rush.

Other conditions must also be insisted upon: first that PowerGen's accounts remain separate and open, to ensure that it does not exploit the duopoly in generation to make excessive profits. And since the UK electricity market will be the most complex in the world, the buyer must be open to tough regulatory action if this should prove necessary.

With these provisos there can be no strong objection to a sale by tender. But it is a great pity the government failed to explore this option when it was first suggested three years ago. Then the power stations could have been sold in smaller lots, ensuring genuine competition and avoiding much of the strife between large rival groups in the industry that has bedevilled this privatisation.

Foreigners as scapegoats

WHEN it comes to high-flown rhetoric about global markets and the diminishing economic importance of national frontiers, US businessmen have few peers. Yet, confronted directly with the reality of these developments, influential sections of US political opinion are responding with a xenophobia which threatens the long-term welfare of the US and of its trading partners.

Fuelled by several controversial Japanese takeovers, congressional demands for a get-tough policy towards foreign investors are increasing. Though President Bush has so far resisted them, they may prove increasingly hard to contain. Indeed, the administration is itself divided, as shown by the heated inter-departmental dispute over the final version of the Exon-Florio regulations, due to be published shortly. These rules, part of the 1988 Trade Act, strengthen the President's powers to block foreign purchases of US companies on national security grounds.

Though the policy has so far been administered fairly, there is a risk that the rules will be drafted in such a sweeping manner as to deliver a catch-all protectionist weapon to future presidents less liberal than Mr Bush. Furthermore, his hand could yet be forced by congressional proposals to require registration and screening of foreign investments, and to protect industries such as cable television from foreign takeover. Still more menacing is a move to restrict lobbying and political contributions by foreign companies. In practice, that would deprive them of any opportunity to influence legislation which directly affects their interests.

Fair share

The temperature has been raised further by allegations that US subsidiaries of foreign companies are paying less than their fair share of tax. Congress wants more vigorous investigation of their affairs and is considering proposals for capital gains and withholding taxes on foreign-owned asset sales. Paradoxically, the proposals could have a relatively slight impact on their main target, the Japanese. But they would hit hard British companies, which already contribute much of the US Treasury's foreign corporate tax revenues but which, uniquely, are not protected by treaty against this form of double taxation.

Visible symbol

Such arguments, however, are unlikely to weigh heavily on Capitol Hill, where levying higher taxes on foreign companies are seen as a painless — indeed, popular — way of augmenting budget revenues. In Washington and much of the country, the recent growth of foreign direct investment (FDI) — above all from Japan — has come to be feared and resented as the most visible symbol of the steady decline in American economic and industrial pre-eminence. Indeed, it is seen by some as a threat to national sovereignty.

That is a wholly irrational attitude. Foreign-owned companies still account for a much smaller proportion of economic activity in the US than in most of Europe. The value of foreign-owned assets in the US barely exceeds that of American assets abroad, which is in any case conservatively stated. Furthermore, Japan's share of FDI in the US is only 16 per cent, half the value of British holdings.

Far from weakening US industry, FDI is a source of strength, providing new management methods and technology as well as capital. The country's most modern and efficient vehicle plants belong to Japanese companies, which are also its largest car exporters. The US Government's own statistics show that, on average, foreign subsidiaries pay higher wages, generate proportionally more value-added and exports and do more research and development than indigenous companies.

If the US sets out to discriminate unreasonably against foreign-owned companies, it will end up severely damaging its own competitive position. It will also invite retaliation against American companies' assets abroad. Everybody would lose from such an outcome. But as the biggest owner and recipient of FDI, the US would lose most of all.

John Plender questions whether contested bids lead to greater economic efficiency

Throw sand in the takeover machine

The critique of short termism in the capital markets of the English-speaking economies goes back at least as far as Keynes, who remarked in The General Theory that "when the capital development of a country becomes the by-product of the activities of a casino, the job is likely to be ill-done". What has changed since then is that takeovers have come to play a more important, if erratic, part in tightening the chain of accountability from management to owners; those owners are now predominantly professional investors rather than individuals; and management operates in much more competitive international product markets.

British managers are consequently reckoned to be under greater pressure to deliver short term performance than their opposite numbers in Germany and Japan, where contested bids scarcely exist. And their susceptibility to takeover, whether contested or agreed, has increased rapidly over the past three decades. According to Mr Ajit Singh, Mr Alan Hughes and Mr Andy Cosh of Cambridge University, there were just over 2,000 manufacturing companies quoted on the UK stock market in 1954, of which 400 were acquired by 1960. During the 10 years to 1982 one in three of the largest 730 quoted companies was acquired, while in the 1982-86 takeover boom 137 of the largest 1000 non-financial companies disappeared through acquisition.* By the end of the 1980s takeovers were occurring in unprecedented numbers.

The first question for policy is whether all this activity is generating increased economic efficiency. On the face of it, in spite of the gains in share prices that result from takeover activity, the answer appears to be not. The performance of Germany and Japan suggests no correlation between an active takeover market and economic growth. A recent Department of Trade and Industry study also highlighted the consistency with which academic work found either that takeovers failed to generate efficiency gains or that the evidence was inconclusive. This could mean that huge transaction fees and managerial disruption are being incurred to no purpose.

Specific bids and deals confirm the impression that the takeover mechanism works in a surprisingly indiscriminate way. BTR, a company that has been successful in applying narrow financial disciplines to low technology acquisitions, felt able to make a hostile bid (in the event aborted) for Pilkington, a heavy investor in R & D and technologically sophisticated fixed assets. Office equipment group DRG, which was regarded in the stock market as having addressed its problems and established a solid recovery, is now being broken up by a group of raiders and investors led by Mr Roland Franklin, best known in Britain for his part in the collapse of secondary bank Keyser Ullmann in the mid-1970s.

Rowntree, which has demonstrated skill in building new brands in the confectionery industry across Europe, has fallen to Nestlé, the Swiss food group whose attempt to build new confectionery brands in the UK was less than spectacularly successful. Midland Bank, which might be thought a classic candidate for a change of ownership, has been protected from hostile attention by the Bank of England's fiat.

All this suggests that those industrialists who complain about short-termism have something more than a purely self-interested point. And there are two specific features of the system (highlighted in this space on July 20), which tilt the balance of advantage overwhelmingly in favour of the predator against many high-investing industrialists. One is the significantly higher cost of capital and lower stock market rating in the English-speaking economies, which means that real assets can often be bought at bargain prices via takeovers in the UK, a highly attractive option both for predators and for those seeking an entrée into the Single European Market. Here the remedy lies primarily with macro-economic policy.

Another, which raises issues of competition policy and takeover regulation, relates to the dual function of the stock market as both a market for day-to-day share trading and a market for corporate control. The gap between the different values at which companies are traded for these different purposes, known as the premium for control, gives bankers and predators an overwhelming incentive to create an arbitrage profit for shareholders. Fear that the profit will disappear on the failure of a bid makes it hard for professional investors, whose performance is measured in quarterly actuarial surveys, to spurn such opportunities.

This vulnerability of the investment institutions has been extensively and profitably exploited by merchant bankers. It has also been exploited by commercial banks, which have been looking for new sources of business to replace the loss of large corporate clients who now borrow direct from markets. The international banking system's need for a high turnover in company takeovers has been well understood by raiders, as well as more orthodox businessmen – witness the fact that more than 82 per cent of last year's £26.1bn total bid consideration was for cash.

The message is clear enough: far from existing to promote economic efficiency Britain's market in corporate control has been hijacked, among other things, for the purpose of solving the problem of declining profitability in wholesale banking. Unless the playing field is tilted back in favour of industrial rather than financial values the system can be relied on to penalise ever more systematically those companies that are trying to address past problems and depressed share ratings through higher investment. How much of British industry has to change hands before the Government grasps the nature of the problem?

If takeovers fail to generate significant efficiency gains and frequently act as a deterrent to investment, why not prohibit contested bids to give British industrialists a climate more like the one in which the Germans and Japanese operate – especially since product markets already exert considerable discipline on management in the tradeable goods sector of the economy? The short answer is that the Germans and Japanese have other disciplines and different problems, including success. Takeovers are an unduly blunt and over-used instrument in Britain, but they do provide a long-stop remedy for industrial decline.

The real challenge is to eliminate the froth from the takeover scene and whittle down the number of takeovers to those that are likely to produce genuine economic gains

Few would argue that Distillers should have been allowed to continue exempt from takeover under its former management. And the threat of takeover may well, in today's climate, encourage mature and cash-rich industries such as tobacco to be more circumspect about paying high prices as they seek to diversify into growth businesses.

Another draconian remedy that is often canvassed is a policy of reciprocity in relation to foreign bidders who are themselves immune from takeover. Yet this would make it harder for Britain to finance its balance of payments deficit while denying the country the gains normally associated with trade. At the last count foreign companies which accounted for 20 per cent of UK manufacturing production had average productivity levels 50 per cent higher than in domestically owned industry – not a benefit to be casually discarded. Nor is the risk of retaliation negligible, given Britain's high level of overseas investment (see chart).

The real challenge is to eliminate the froth from the takeover scene and whittle down the number of takeovers to those that are likely to produce genuine economic gains. And the choice here lies between the tough option of shifting the burden of proof onto the bidder to show that any given bid is in the public interest, which is favoured by the Labour Party, and the less rigorous policy, summed up in a phrase of the American economist James Tobin, of 'throwing some sand' into the takeover mechanism.

The case against shifting the burden of proof is that businessmen would find themselves operating in an uncertain and unpredictable framework because judgements about the public interest are subjective. But today businessmen might well ask whether some subjectivity, within a context of reasonably clear government criteria, might not be preferable to the paradox whereby a clear and consistent policy of making references to the Monopolies and Mergers Commission on pure competition grounds fails to deliver a more satisfactory economic outcome.

There is no likelihood of such a change under the present government. But suggestions for damping down the takeover process in the interest of combatting short termism may have a slightly better chance of success. In the United States individual state legislation now incorporates a whole menu of impediments.

In some states purchasers who cross a specified ownership threshold of anything between 20 and 50 per cent are unable to exercise their voting rights unless other shareholders vote in favour at a special meeting. Many states operate moratorium rules, whereby any person acquiring more than a given percentage of a company's equity is unable to proceed to a takeover for a number of years – three or five are common terms – without the approval of the existing board. Others have introduced heightened disclosure statutes which can provide target companies with additional legal grounds for complaint against predators.

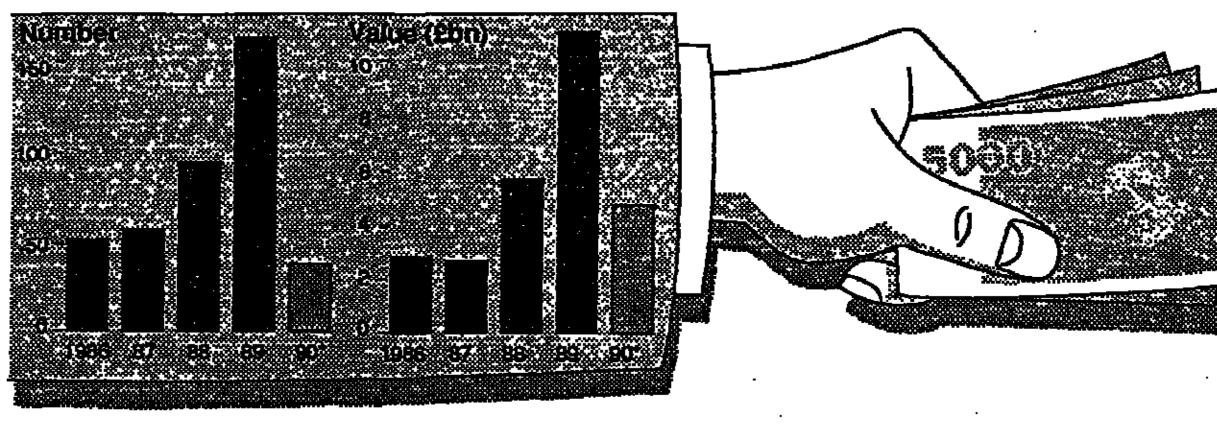
Back in Britain one of many suggestions by industrialist Sir Hector Laing is that voting rights on large share stakes should not be vested until some time after the purchase. He would also like to see the threshold at which large shareholders are required to bid reduced from 29.9 per cent to 14.9 per cent. Others would like to see a longer period under the Takeover Code for the consideration of bids to ensure that the arguments for and against, together with the credentials of the bidder, are subjected to more rigorous scrutiny. Mr Jonathan Charkham of the Bank of England, meantime, wonders whether shareholders in the bidding company should be given a greater say over, for example, whether the bid price should be increased in a contested takeover.

Most of these proposals involve trade-offs. Some (though clearly not the last) would lead to a modest erosion of shareholders' rights. Others protract the period of uncertainty under which the management of the victim company has to operate. And it could be argued that any slow down in the takeover process should be supplemented by a strengthening of the framework of corporate governance, including more non-executive directors in the boardroom and a more interventionist approach by the investment institutions.

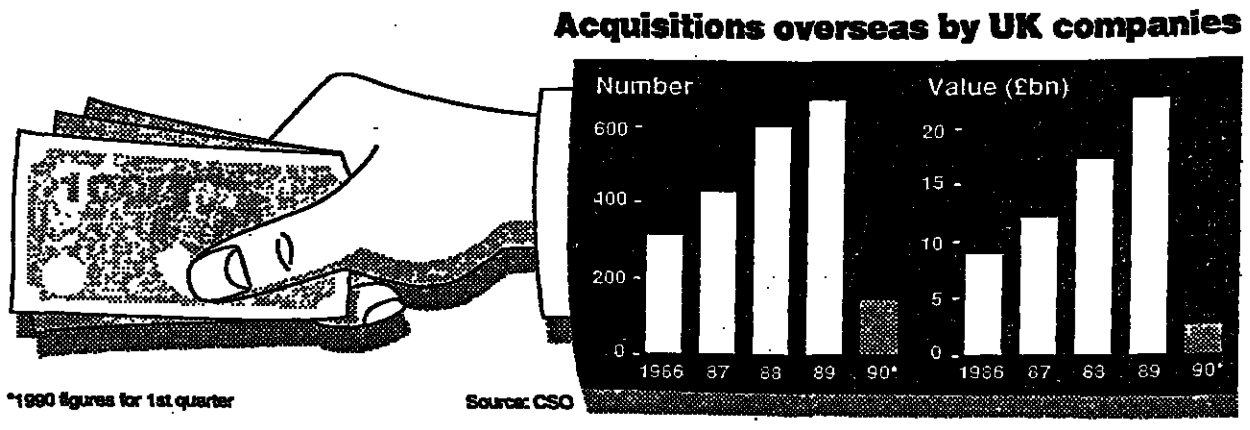
Less often discussed is the more fundamental issue of the legal framework within which fund managers operate. Short termism on the part of pension funds is not solely attributable to the valuation problem referred to earlier. It is also a product of delegated management and poor trusteeship. The ready acceptance by trustees – often the same company directors who complain of short termism – of the logic of quarterly performance measurement for their own pension funds reflects the inherent conflict of interest arising from the legal ambiguity over the ownership of pension funds. While the trustees' ultimate obligation is to the beneficiaries, director trustees none the less treat the pension fund as a profit centre of the company. Such peculiarities of trust law help ensure that the wheels of the takeover machine will continue to turn unless policy puts obstacles in the way.

**Figures from a paper on short termism to be published shortly by the Institute for Public Policy Research.*

Acquisitions in the UK by overseas companies



Acquisitions overseas by UK companies



*1990 figures for 1st quarter Source: CSO

OBSERVER

Supreme courtiers

■ The names of possible successors to Justice William Brennan on the US Supreme Court are flowing thick and fast in Washington DC.

Some are more improbable than others. Mrs Carla Hills, the US Trade Representative, may be a top-class lawyer; but she has no record as a judge and is currently busy leading US negotiations in the Uruguay Trade Round. Mr Richard Thornburgh, US Attorney General, may covet the job; but he is in the inner presidential circle advising on the nomination.

President Bush is more likely to choose a well-qualified, conservative-minded federal circuit judge, preferably from the south, which is under-represented on the court, and where the 84-year-old Brennan was a liberal bastion. The word at the White House is that the nominee's views, particularly on abortion, should be "fuzzed up" to avoid controversy in an election year.

Several of the front-runners hail from Texas (Mr Bush's adopted home state). Mr Kenneth Starr, 44, US Solicitor General, knows that his present job has often served as a launch-pad to the Supreme Court. Mr Patrick Higginbotham, 51, a circuit judge from Dallas has ranked as a potential nominee for the past five years. Other obvious choices include Mr William Wilkins, 48, a circuit judge from South Carolina, and Mr Harvie Wilkinson III, a circuit judge from Virginia who served in the Reagan Justice Department.

A less predictable choice would be Mrs Edith Jones, 41, a "law and order" judge who favours the death penalty. Like Judge Higginbotham, Mrs Jones serves on the fifth US circuit court of appeals. She was once a partner at the same Houston law firm where Mr James Baker, US Secretary of State, practised. Even more daring would be an hispanic nominee. This would give Mr Bush a "first-ever" selection which Democrats would find hard to turn down, even in election year. If the vetting process goes smoothly, a name should emerge in in the next two weeks.

EBRDetails

■ One measure of the intensity of interest in the European Bank for Reconstruction and Development, Jacques Attali's new bank, is the number of readers wanting to know how to contact it every time news of it appears.

To spare our switchboard, I can inform you that it currently occupies unprepossessing little offices at the back of the Bank of England, Threadneedle Street, London EC2R 8AH (tel: 071-601 4444, ext 4376), whither all job hunters, interior decorators, computer salesmen, investment bankers and east European entrepreneurs should address themselves.

Depending on the day of the week, they will either find the offices deserted because "everyone is in Paris" as was the case yesterday, or populated by its skeleton staff. This consists largely of Sylvia Jay, wife of the UK's commercial counsellor in Paris, and Pierre Pissaloux, whose title is directeur du cabinet of the president-elect.

The pace will pick up from August 1 when the embryo bank moves into its new offices in Broadgate, where its letterhead will read Level 7, No 6 Broadgate, London EC2M 2QS (tel 071-496 0060).

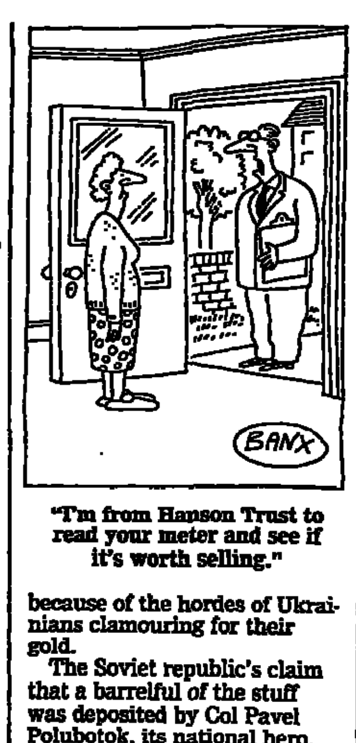
Gold dust

■ Actually, yesterday was a bad day to try and get through to the Bank of England because of the hordes of Ukrainians clamouring for their gold.

The Soviet republic's claim that a barrelful of the stuff was deposited by Col Pavel Polubotok, its national hero, 270 years ago is very romantic but may not be substantiated by the Bank's meticulous records. The box room, where deposited containers are left, is easy to check, and there is no unclaimed bullion there.

Nor is there a record of any liability on the Bank's books, although they are still going through the archives. Institutional memory goes back a long time in the Bank, but not 270 years. "There is hardly anybody left who has been here that long," said a spokesman.

Specially touching is the Ukrainians' claim that the deposit is now worth £16,000bn because of compounded interest, a sum equivalent to about six times the US GNP. The point about gold is that it does not attract interest, though the Ukrainians might have a case if they could prove that Col Polubotok made his deposit in the form of gold coins.



"I'm from Hanson Trust to read your meter and see if it's worth selling."

Our man Ham

■ Sir Hamilton Whyte, who died at the early age of 63 at the week-end, was a brilliant exception to the rule that diplomats must dress like merchant bankers and behave like head waiters. The pink socks, flamboyant ties and bicycle clips which this former High Commissioner to Nigeria and Singapore affected did not prevent "Ham" from being one of the most respected diplomats of his generation.

As director-general of the British Information Services in New York from 1972-76, he was "absolutely outstanding" in selling Britain to the Americans, according to Sir Donald Maitland, his former FCO news department boss. New Yorkers had rarely seen such an unstuffy British diplomat and the parties which he and his artist wife Sheila organised attracted many of the top media, stage and screen stars. This in turn, opened the doors of American breakfast TV shows to visiting British ministers and personalities.

However, it was as head of the news department, the graveyard of so many diplomats, that "Ham" was at his best. He took to the job like a duck to water, believing that it was the duty of the holder of his position to give information, rather than to suppress it. In the words of Sir Donald: "He was very good at judging when to be indiscreet." Pity that talent has not been shared by all his successors.

In the tank

■ Vickers, purveyors of armoured vehicles since 1916, had to cancel a demonstration at Aldershot yesterday of its new Challenger armoured repair and recovery vehicle whose job is to rescue broken down tanks. It had broken down.

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The teenager's guide to trade

Domestic demand slows down

By Samuel Brittan

For those who look at one month's figures on their own, the June trade figures were dull. For the recorded deficit was almost exactly the same as in the previous month, and closely in line with market expectations.

The estimated current account deficit so far in 1990 has been running at an annual rate of £18bn – some £1bn down on the recently revised estimate for 1989. The Treasury's £15bn forecast for 1990 which first appeared too pessimistic and then optimistic now seems in the right ball park.

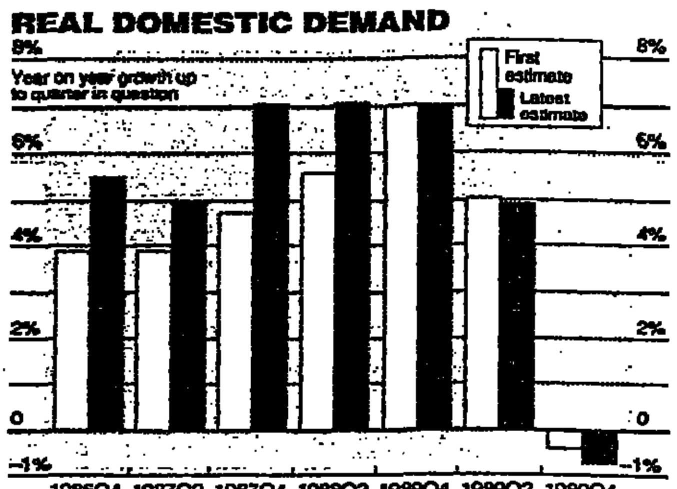
The latest trade figures are of interest in establishing the pattern for the first half of 1990. For if there is one thing that I have learnt while doing the teenager's guide is that even the quarterly comparisons used by government statisticians are too short to establish trends. One needs to take at least six months at a time to avoid being influenced by erratic and unstable movements.

The half-yearly figures do show at least a coherent pattern. In the year and a half up to the end of 1988 imports were rising much faster than exports under the influence of the boom in home demand. Since the middle of 1989 the Government's squeeze has been biting and exports have been rising more quickly than imports.

Moreover, the variation has been on the side of imports. Exports have been rising for some time at a fairly steady rate of about 5 per cent per half-year, which would once have been regarded as very good. Imports, which dipped slightly in the second half of 1988, rose by nearly 3 per cent in the first half of 1990. As usual the comparisons are in volume terms and exclude oil and other erratics.

The forces at work are illustrated by the accompanying chart from the new Treasury Bulletin. It shows two things. First it demonstrates how much the Treasury underestimated the boom in home demand from as far back as 1986 (when so far from shadowing the D-mark sterling was allowed to depreciate).

Real domestic demand in that year was originally reckoned to have risen by 3.7 per cent – somewhat above capacity growth rates, but not nearly enough to cause alarm given the high level of unemployment and unused resources from which the boom began. This 3.7 per cent figure was not a forecast, but an estimate that was made after the event just in time for the 1987 pre-election Budget. It was only as subsequent revisions arrived that it became clear that demand was growing at the very rapid and unsustainable rate of 5.5 per cent.



But the errors did not end there. The growth rate in 1987 was originally put at 4.7 per cent – clearly too high to be sustained. But it was not clear that it had reached the astonishing rate of more than 7 per cent until October 1989, again long after the event.

Now, however, the estimates are telling a different story – that domestic demand fell by 0.3 per cent in 1989, after the brakes had been applied. The few revisions so far have been in the direction of depressing this rate slightly further.

The slight increase in import growth in the first half of 1990 will make some analysts wonder if there has been a modest recovery in domestic demand, which would be supported by the retail sales data. These small variations cannot withstand, however, too heavy a load of interpretation. There are periods of slight recovery in every slowdown and periods of pause in every boom, which cannot be anticipated or taken into account by policy. Other ripples will be caused by the poll tax, but it is not even possible to say in which direction.

The rise in sterling may initially help home demand by causing inflation, in the time-honoured Treasury phrase, to be "less than it would otherwise be." But it will not be long before the pressures on profit margins caused by a high exchange rate lead businesses to trim stockbuilding further and, above all, to take a stiffer line on labour and other costs.

There are already signs of another phase of squeeze in the second half of 1990 – ranging from rising bank indebtedness and corporate failure to the first real signs in the last three months' figures that unemployment is beginning to rise again slowly. This is important, when both the fall in new entrants to the labour force and the government campaign to get the long-term jobless off the register, are operating in the other direction. While the case for cutting interest rates now looks outrageous, by the turn of the year it may become merely dubious.

UK TRADE VOLUMES
% changes
(exc oil and erratics)

	Exports	Imports
1987		
First half	+4.1	+1.5
Second half	+2.2	+9.5
1988		
First half	+0.9	+4.4
Second half	+4.0	+8.9
1989		
First half	+5.2	+4.3
Second half	+4.9	-0.4
1990		
First half	+5.3	+2.8

CSO

Pessimists will argue that a large part of the recent improvement in trade returns is due to a temporary phase of stock reduction. They will also say that as imports are nearly 25 per cent higher than exports, the latter will have to carry on rising for a very long time to bridge the gap.

It is here that the new estimates of normal capital gains on Britain's overseas assets by the Cambridge economist Cliff Pratten take on revolutionary importance (Why sterling has to go, Financial Times, July 18). The invisible account has deteriorated because of the need to service at high interest rates short-term banking and other funds attracted into London. But because outgoing overseas investment is predominantly either direct or of a portfolio kind, the return on it takes the form of capital gains which do not appear in the current account. Thus the official statisticians greatly over-estimate the weakness of the balance of payments. Pratten believes that the UK can count on capital gains of about £12bn a year. This reduces both the underlying size of the deficit and the task of bringing it down to manageable proportions.

The Boy Scout moral is that Whitehall should give a big push to improving statistics of demand, output, the balance of payments, and everything else. In my view, this is the royal road to correcting yesterday's errors. The true moral is that we are never likely to know how far any purported payments deficit is catastrophic, fictional, or a normal counterpart to an investment upturn. Nor are we ever likely to know in time whether a domestic upsurge represents healthy economic success or hothouse excess.

The Government should concentrate on matters it can influence, such as its own Budget, and a few simple feedback rules about inflation, such as maintaining a stable rate of sterling against a non-inflationary country or bloc. But that does not mean talking up sterling in quite the way John Major is doing.

FOREIGN AFFAIRS

Time to reshuffle the world cabinet

Edward Mortimer proposes a global restructuring

There is so much going on in the world at the moment that the machinery of international relations is seriously overloaded. Things reached a grotesque point with the recent scheduling of three summits in three weeks. Nine national leaders and the President of the European Commission attended two of these summits (but not all the same two), while four – Chancellor Kohl, President Mitterrand and the British and Italian prime ministers – had to take part in all three.

This is exhausting enough for the heads of state and government themselves, many of whom are past the normal retiring age for other professions. It is even worse for foreign ministers and their officials, who have to give up much of their eating and sleeping time to thrash out points of detail, unravel last-minute hitches, draft and redraft communiqués. That, you may say, is what we pay them for. But are we getting value for money?

These meetings overlapped heavily not just in their membership but also in their agenda, which was, in short, the ending of the cold war and the construction and management of a post-cold-war order. They were conferences of the victors, a kind of real-life equivalent of the imaginary peace conference at Ditchley Park on which I reported last month – only being real life, they were much less tidily organised.

That conference (you may just possibly remember) was distorted by its predominantly English-speaking character and the lack of Japanese, let alone Soviet or Third World, participation. In these real-life conferences the weighting was not so much linguistic as regional. In all of them the majority of the participants were European – hardly surprising in the case of the first, which was a meeting of the European Council, but already slightly odd in the case of Nato, where the US and Canada have to deal with 14 separate and nominally equal European partners; and downright absurd in the Group of Seven where Europe has four representatives (five if you count Mr Delors) against two for North America and one for East Asia, even though the ostensible subject matter is the management of the global economy.

We are behaving as if the cold war were a European phenomenon, and as if the post-cold-war world could best be organised around Europe. Both propositions are highly debatable. Europe was, by convention, the "central front" of the cold war, where the front line was clearly demarcated and the largest military forces of both sides were concentrated. But partly for that reason the confrontation was much more actively pursued (often taking the form of hot war) in other theatres. Some of these – Afghanistan, Cambodia, Angola, the Horn of Africa – are still smouldering dangerously, while in north-east Asia and the Pacific events have lagged well behind the breathless European time-scale.

Japan, which was only nominally at war with the Soviet Union (and certainly not by Japanese choice) for the very last days of the Second World War, cannot accept the Soviet annexation of its northern territories as the penalty of unsuccessful aggression, in the way that Germany has accepted the Soviet annexation of Königsberg and (however regretfully) the Polish annexation of Pomerania and Silesia. In the absence of any sign of Soviet willingness to restore those territories, Japan feels itself a hungry spectator at the current peace celebrations. Well aware of its economic superpower status, and frequently urged by its American and European partners to take on commensurate political responsibilities, Japan yet finds itself invited to the top table only when economic questions are discussed.

Japan feels itself a hungry spectator at the current peace celebrations. Well aware of its economic superpower status, it yet finds itself invited to the top table only when economic questions are discussed

Europeans meeting in Dublin decide that, to consolidate the new peace order in Europe, the Soviet Union should be given economic aid. Europeans and North Americans meeting in London proclaim the end of the cold war, invite Mr Gorbachev to their next meeting, and plan a new set of "European" institutions which in fact will span the entire northern hemisphere, including every major industrial country *except* Japan: all in the name of not allowing Russia to feel isolated or left out. And then (but only then) the same people, struggling into their G7 costumes just as he rings the doorbell, summon the obliging Mr Kaifu to Houston in order to present him with the bill.

Grossly unfair, exaggerated, provocative? Perhaps, but I'm sure if I were Japanese that is how I should see it. Unhelpful criticism from an irresponsible scribbler? All right, here are some helpful suggestions which might go some way to repair the damage, or to prevent it from getting worse:

● Nato and G7 should be merged. Japan is an ally of the US just as much as Canada and the European Nato members. Nato proposes to become less military and more political. If that means anything it must mean spending more time on economic aspects of security and extending its interest to "out of area" issues. It makes little sense to discuss either without involving Japan. Similarly, economic issues are easier to keep in proportion in a context where common interests (notably security interests) are emphasised. Let Nato drop its "A" and become simply a northern treaty organisation, an alliance of the world's great industrial democracies. When, but only when, Russia becomes one of them, it too could be welcomed as a member of the alliance.

● Revive the United Nations as what it was meant to be, the central global institution for dealing with global problems, with the great powers giving a concerted lead through the Security Council. That was not possible in the past because of the deep mutual mistrust between the Soviet Union and the west. It should be possible now that superpower relations have been transformed. Already the five permanent members have co-operated in working to end the Iran-Iraq war and to bring about the independence of Namibia. There are encouraging signs of convergence on Cambodia. There is patient work towards a consensus on fighting terrorism and the drug trade, and on preventing catastrophic changes in the global climate. These precedents should be built on and generalised. It may even become possible to use joint military force, when necessary, to uphold international law and order.

● That presupposes, however, that membership of the Security Council reflects the realities of world power, which are obviously now very different from what they were in 1945. Japan has an unanswerable claim to permanent membership, India and Brazil a more debatable one. (The Non-Aligned are in any case assured of a majority, through the rotating non-permanent members). The veto, originally devised by Stalin to protect the Soviet Union from isolation, could perhaps now be wielded by the permanent members, or a majority of them, collectively, rather than by each one individually.

● The united Germany would also be an obvious candidate for permanent membership, but this would further increase the over-representation of Europe. It is already anomalous that European political co-operation, used to achieve a common position of the 12 in the UN General Assembly and elsewhere, is excluded from any role in the Security Council. Once the EC has formed a political union with "a common foreign and security policy," which is the stated object of one of the two intergovernmental conferences starting in Rome this December, that anomaly will become unsustainable. In trade negotiations the EC already speaks with one voice and occupies one seat. The future European union should do the same in the UN Security Council, and in any other organisation where it is called on to negotiate or co-operate with outside powers.

LETTERS

Labour's revisionism begs all the questions

From Mr Arthur Seldon.

Sir, I refer to Joe Rogaly's article ("Limits to the power of the purse," June 22) in which he discussed my book on capitalism.

Liberal economists have agonised about "market failure" – from Schumpeter to Armen Alchian – but socialists have been elusive about "political failure." Mr Rogaly's proposal that the Institute for Public Policy Research (IPPR) "concentrate on making the political process less unsatisfactory" implies that socialists persist in proposing extended functions for government without pausing to consider whether it is likely to perform them as intellectuals envisage. Labour's revisionism begs all the questions.

The case the IPPR has to demonstrate is that the common people, that is, the unpolitical people that the Crick-Williams-Marquand school gratuitously supposes are equal to the political people, can exert as much influence, authority, or "sovereignty" in the political process as they can, or could, in the market process. "Participation" is *simpliste.*

To over-simplify, the market process provides one man, one vote every day. The political process provides one man, one vote one day in a thousand (or 1,500 in 4-5 year parliaments). On the other 999 days effective power is exerted by politicians, bureaucrats and "the organisers of pressure groups – industrial, professional, union. The "one vote" in the market is unequal but more equalisable than the unpolitical-political inequality.

The socialist has assumed that the Lincoln conception of government of, by and for "the people" has come to pass, or would come to pass under socialism. No socialist society has created it; nor has any capitalist society. The Labour revisions envisage politically regulated markets that retain government veto.

The case for capitalism is that it can live with free markets (wherever practicable, that is, except in public goods) but socialism – state socialism, social democracy, or market socialism – cannot because it cannot live with private property wherever practicable.

When socialists recognise this truth they and we can devise the good society.

Arthur Seldon,
The Thatched Cottage,
Godden Green,
Sevenoaks, Kent

A farmer's life after subsidies

From Mr Anthony Rosen.

I would suggest that the National Farmers' Union's chief economist, Mr Sean Rickard, is crying wolf (July 19) before farmers have considered the full implications of all countries doing away with farm subsidies over a period of years as proposed under reforms to the General Agreement on Tariffs and Trade.

World food trade has been distorted for many years by farm subsidies which are usually misdirected in their application, and thus tend to encourage the production of the wrong food, in the wrong place, at the wrong time.

Considerable proportions of these misguided subsidies never reach the farmer but are leeched off en route by fraud, corruption and incompetence.

In 1989 every US farmer cost the US taxpayers $20,000, in Norway the figure was $32,000, in Japan $15,000 and the European Community comes well down the list with $8,000 of government support for each farmer. Of course, in the US farm size is considerably greater than in the EC but still the figures for farm incomes show there is a ridiculous amount of money going astray.

New Zealand ended all farm support in 1984 and Australia virtually followed suit. The overnight termination in New Zealand was brutal and unnecessarily harsh in its effect but the New Zealand farmer is now the most efficient in the world and certainly, quite justifiably, the proudest in not having to rely on the fickle whims of government.

As the New Zealanders say: "There is a life after subsidies for farmers."

Anthony Rosen,
Feenix Farming,
Rosehill,
Arford,
Headley, Hampshire

Promoting Africa's development

From Mr G.K. Helleiner.

Sir, As a member of the Fraser Group on Africa's commodity problems I am at a loss to recognise the group report Messrs Hewitt and Singer say they are attacking (Letters, July 10). They cannot have read the report in which I was involved.

Nowhere does it state that "African countries should aim to increase their dependence on commodity exports", "forswear industry and technology", "become progressively less diversified", or "abandon development and go back to producing commodities." Nor is it easy to see how its treatment of diversification, export earnings instability, international commodity agreements (ICAs) or "adjustment" – while perhaps inevitably abbreviated in a report of this nature – can be fairly described as "cavalier."

Specific recommendations are made on each of these matters. High priority is assigned to diversification throughout the report, and many recommendations relate to that objective, not least the assurance of better market access for "non-traditional" exports. Reform of the International Monetary Fund's (IMF) compensatory financing facility is suggested to assist with export earnings instability. On ICAs – notably for coffee and cocoa – increased international efforts to re-establish price stabilising agreements and increased producer co-operation are recommended.

There are also many recommendations relating to adjustment – greater protection for the vulnerable, ensuring food security, debt relief, increased external resources, the sale of IMF gold to rectify arrears, etc. Indeed the comments of Mr Dadzie that are quoted with approval might well have been lifted from our report.

Primary commodities are what Africa now has. In the promotion of African development, it is best to have a strategy for them. As development proceeds their relative role will inevitably decline.

The Fraser Report makes a large number of recommendations that deserve discussion. It seems a pity to waste effort on debates that do not stem from the contents of this report.

G.K. Helleiner,
Department of Economics,
University of Toronto,
150 St George Street,
Toronto

The role of industrial relations

From Mr John Vanderveken.

Sir, I find myself in agreement with much of your editorial comment ("A strategy for world poverty," July 16), particularly its endorsement of the World Bank's emphasis on social services and the role of labour. There has been a growing appreciation in recent years of the importance of institutional factors in development, most notably in last year's World Bank long-term perspectives report on sub-Saharan Africa with its emphasis on good governance, a reliable judicial system and an accountable administration.

However, one factor missing from present discussions has been an awareness of the role played in development and economic adjustment programmes by a well-functioning, resilient industrial relations system. Where workers' organisations operate in a free and democratic environment, agreed negotiating procedures can evolve and provide channels for the constructive settlement of conflicts. Where this is not the case, the consequence has been social and political instability, frequently leading to the abandonment of the economic programme in question.

Indeed, the frustration and dissatisfaction have at times burst out into damaging and recurrent confrontations which have weakened the ability of the country to develop and thus tackle the fundamental problem of poverty. Political instability is one of the main reasons for slow growth in Africa in the last 30 years.

A sound industrial relations system provides a stabilising factor in social relations, and thus a basis for the extension of civil liberties, the rule of law, security for investment, and ultimately growth and development. This consideration needs to be fully assimilated into development policy if there is to be a reversal of the disappointing record.

John Vanderveken,
General Secretary,
International Confederation of Free Trade Unions,
37-41 Rue Montagne aux herbes potagères,
Brussels

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FINANCIAL HIGHLIGHTS
UNAUDITED AS OF JUNE 30, 1990

	June 30 1990 SR'000	June 30 1989 SR'000
Assets		
Cash and Due from Banks	13,511,740	11,423,682
Loans and Advances (net)	6,637,426	6,170,278
Other Assets	7,887,010	5,514,507
	28,036,176	23,108,467
Liabilities and Shareholders' Funds		
Customer Deposits	21,137,454	18,320,191
Due to Banks and Other Liabilities	4,715,429	2,967,357
Shareholders' Funds	2,183,293	1,820,919
	28,036,176	23,108,467
Contra Accounts	25,267,268	24,263,408
Statement of Earnings		
Operating Revenue	470,484	420,879
Less: Operating Expenses	(182,820)	(179,990)
Total Operating Income	287,664	240,889
Transfer to Reserves	(34,124)	(54,025)
Net Income for the six months ended June 30, 1990.	253,540	186,864

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US, EC agree to farm trade talks

By William Dullforce and Peter Montagnon in Geneva

THE EUROPEAN Community and the US agreed yesterday to start firm negotiations on farm trade reform, even though their differences over export subsidies remain.

The agreement was seen as a minor breakthrough after 3½ years of prevarication over agriculture in the Uruguay Round trade talks.

Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, described the US-EC agreement as an "opening". He was glad that all countries were now committed to negotiating on the lines outlined by Mr Aart de Zeeuw, chairman of the Gatt group on agriculture in the Round.

The agreement will allow trade negotiators to concentrate on other outstanding issues at this week's meeting of the governing Trade Negotiations Committee (TNC) which is due to review the entire agenda of the Round.

Mr Dunkel said that the TNC would now be able to set the scene for the final phase of the multilateral trade talks before the concluding ministerial meeting in Brussels in December.

Mr Guy Legras, the EC's director-general for agriculture, said that as far as agriculture was concerned the TNC meeting was now over. The compromise with the US had been the only way to start concrete discussions on farm reform and to stop bickering over interpretations.

ECC ambassador to GATT, Paul Tran (right), talks with Commission official Hugo Paemen in Geneva yesterday

Mr Julius Katz, deputy US Trade Representative, said the US now expected all participants to engage seriously in the farm talks. But, he added, it remained to be seen whether the process would unblock the differences that have stymied progress in the talks to date.

Under the agreement approved yesterday by the group dealing with agriculture in the Round, "substantive" negotiations will start in August. Governments will submit lists assessing the value of their existing farm supports as soon as possible but at the latest by October 1.

These commitments are spelt out in a covering note which will be submitted to the TNC together with the framework agreement tabled by Mr Aart de Zeeuw, the group's chairman, which was commended by the seven leaders of the industrial nations at their Houston summit.

The country lists will supply the information base on which reductions in supports will be negotiated in three areas – internal supports, border protction and export subsidies.

However, both Mr Legras and Mr Katz emphasised that neither side has moved from its opening positions.

The EC does not intend to reduce export subsidies faster than other forms of support, as suggested by Mr de Zeeuw, and continues to maintain the cuts should be tied to an aggregate measure of support (AMS).

Mr Katz stressed that the AMS cannot be the only instrument for reducing supports and continued to insist that export subsidies required special attention.

The US said the EC's concept of rebalancing, under which a country may increase protection in one sector provided it follows the guideline for overall reductions, remained unacceptable. And the US would not accept that its deficiency payments to farmers should be treated under all three areas to be cut.

The covering note to the de Zeeuw text states that *all* agricultural products fall within the scope of the negotiation. The EC maintains that reductions should apply primarily to products in structural surplus, such as cereals and dairy products, but it will not object to discussing other products.

The US-EC understanding which broke the deadlock was reached on Sunday evening at an informal meeting between Mr Legras, Mr Katz, Mr Richard Crowder, US Under Secretary for Agriculture, and Mr de Zeeuw. Mr Legras said the meeting had resolved a US misunderstanding about the EC's willingness to negotiate in good faith. When he had offered to start serious discussions next month, the Americans had at last started to take the EC seriously.

Francesco Cossiga: calling for political transparency

Cossiga sheds light in shadowy Italian corners

By John Wyles in Rome

THE ONE truly novel development this year in Italy's politics is again impressing itself on the public. This is the transformation of President Francesco Cossiga from a melancholic, largely ceremonial head of state into an active source of pressure on institutions and political parties to pay greater heed to public concerns.

A common thread running through many of his interventions is a desire to shed light on the many shadowy mysteries of recent history and current debate in Italy.

Much of the political world was buzzing with approval yesterday at his latest initiative: a letter requesting Mr Giulio Andreotti, the Prime Minister, to investigate claims made on television that the CIA had used the sinister P2 masonic lodge to foment right-wing terrorism in Italy in the 1970s.

A former CIA employee, Mr Dick Brenneke, alleged in a long interview with the RAI state broadcasting network that the lodge had also been involved in the murder of Mr Olof Palme, the Swedish Prime Minister.

Mr Cossiga told Mr Andreotti that if the Government decided there was any truth in these allegations, the Italian parliament, the magistracy and the US Government must take up the matter.

If it concluded the allegations were groundless, then the legal authorities should be investigating possible breaches of the penal code and the television authorities should be concerned about the quality of their journalism.

The president denies that his new activism, which began in February, derives from any change of approach to his responsibilities. It is merely that circumstances during his first five years in office did not require him to call politicians and institutions to order.

Some observers have wondered if the 61-year-old Sardinian is seeking a second seven-year term when the current one expires in mid-1992. This cannot be ruled out, but the back-room deals which produce a nominee for election by both houses of parliament are rather more likely to point to a non-Christian Democrat like Mr Giovanni Spadolini, the president of the Senate, or, if it must be a Christian Democrat, Mr Andreotti himself.

A more probable explanation is that Mr Cossiga has realised how little of a personal imprint he has made on the presidency. In his inaugural speech in 1985 he appealed, somewhat pathetically: "Do not leave me alone" in the isolation of the president's office. Now it seems he has realised that he can be at one with the people by, among other things, giving voice to public demands for more transparency in political life.

As well as calling for clarity on the CIA allegations, Mr Cossiga has become a spokesman for the families of victims of the Ustica airliner disaster of 10 years ago. They are still awaiting some kind of authoritative conclusion about whether the DC9 was shot down by a missile.

Mr Cossiga has also become a vivid critic of the politicisation of the magistracy's self-governing body, the Consiglio Superiore della Magistratura, and has refused to play his *ex officio* role as chairman of its meetings.

THE LEX COLUMN

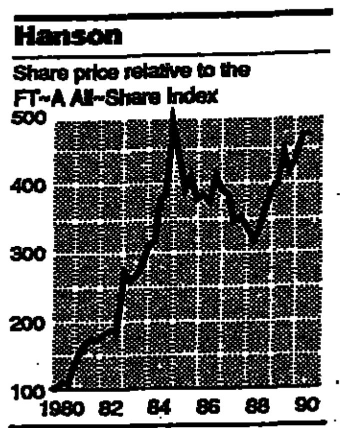
Hanson's desire for power

The first problem with Hanson's surprising interest in PowerGen lies in deciding how serious it is. The PowerGen board and the Government are plainly haggling over the new company's level of debt; threatening to put the board through the Hanson school of management is a powerful negotiating tactic. But Hanson is too far committed for that to be the whole story; and the idea of it wanting PowerGen may be less odd than it looks at first sight.

There seems little chance of an asset strip; the Rover affair is still too much a live issue. Similarly, the risks attached to the new electricity structure, both commercially and politically, are not quite in Hanson's line. But as amanufacturer of a basic commodity in a cyclical market, PowerGen has points of comparison with London Brick or SCM. The link with Peabody's coal production in the US could also be valuable. There would doubtless be scope for large cuts in the workforce; and however abrupt the transition from nationalised industry to the Hanson system, the fact that PowerGen has nearly all its output under contract for its first three years gives Hanson time to settle all that.

This leaves aside the question of whether it is a good thing for PowerGen to vanish into the pocket of Hanson or anyone else. But the structure of the generation industry is already such a botched compromise that this further embarrassment for the Government seems almost minor by comparison. It seems inconceivable that Hanson should be allowed to carry off PowerGen without a contest. But alternative bidders with £1.25bn or so can be envisaged, ranging from GEC or BTR in the UK to any overseas utility drawn by the unique absence of price controls in the UK generating system.

What all this does for the investment attractions of National Power is unclear. More pressingly, the Government must tidy up the mess in the generating industry before the flotation of the distributors in November. The alternative is higher investment risk and a still lower price for the long-suffering UK taxpayer.



Wall Street

It has happened before and no doubt will happen again. Wall Street has hit an air-pocket, and all that bullish talk which was driving the Dow Jones towards the 3000 level has suddenly evaporated. The Dow's repeated failure to break through this level may partly explain the sudden change in sentiment. By many yardsticks, such as the gap between the yield on bonds and equities, Wall Street has looked rather extended for some time. Add in the disappointing stream of second quarter earnings from corporate America and it is easy to argue a case for the market being substantially lower than it is now.

Nevertheless, the speed of the change in sentiment is unnerving. At the beginning of last week the Dow was setting new records. In the first few hours of trading yesterday it had lost over 100 points, and it is interesting to speculate how much further it would have fallen were it not for the intervention of the controversial trading halts in the futures markets. There were planty of rumours to fuel the move, and judging by the relative strength of the bond markets there were signs of a flight into quality.

The recent surge in oil prices has clearly not helped the anti-inflation cause. Similarly, the weakness of the Japanese bond market and recurring fears that the Bank of Japan will have to tighten policy again, at a time when the US authorities are under pressure to ease, cannot help the US dollar's cause either.

NatWest Bancorp

National Westminster Bank's sortie into investment banking may have grabbed the headlines. But when it comes to losing money, its ill-timed expansion into US regional banking is proving an even more expensive embarrassment. A second quarter net loss of $106m may not sound terribly much for a group which should make the profit equivalent of over $2bn this year. However, it is just the latest in a series of quarterly losses adding up to a net $288m over the last year. US banks are going through a rough patch, but most are still reporting profits.

First it was extra provisions for third world debt; now Natwest Bancorp is suffering from dud real estate loans to the likes of Donald Trump. Second quarter provisions of $147.6m are more than three times the figure of a year ago, which in turn was more than twice the year before that. Non-performing loans are now the equivalent of an uncomfortable 5.2 per cent, roughly half being real-estate related. NatWest has had to inject another $200m of capital, bringing the total to $1.35bn in little more than two years, mostly for acquisitions. It was a case of expanding or getting out; NatWest seems to have made the wrong decision.

Siemens

The West German stock market is expecting a lot from Siemens in the short-term but not getting it. The striking feature of Siemens's results for the first nine months was the discrepancy between the rude health of its order-book and turnover on the one hand and the sluggish growth of after-tax profits on the other.

Viewed charitably, this is due to Siemens's accounting conservatism, combined with a shortfall of investment income; the bill for the Nixdorf and Plessey acquisitions has top-sliced Siemens's cash pile to about DM20bn. But even after yesterday's drop in the Frankfurt stock market, Siemens's share price is 48 per cent higher than before the Berlin Wall came down. Siemens's long-range strength is clear, but further short-term gains in the shares require more vigorous earnings growth than now seems likely in 1990 and 1991.

Strip out the DM4bn Neckar nuclear power station project in last year's figures and Siemens's domestic West German sales jumped 25 per cent in the quarter to June 30. Its Berlin gas turbine plant is working at 100 per cent capacity; and sales to East Germany could be 50 per cent up on 1989's DM140m. Hence it is all the more disappointing to see Siemens's net income up only 4.6 per cent, after 1989's surge in West German capital goods orders. With full consolidation of loss-making Nixdorf due to start in September, next year may not be much better.

UK current account deficit rises to £1.35bn

By Anthony Robinson in London

BRITAIN'S current account deficit widened to £1.35bn ($2.45bn) last month from £1.32bn in May as exports dropped slightly against a background of a continuing high level of imports.

Exports fell 3 per cent to £8.6bn on a seasonally adjusted basis from May's record £8.9bn while imports on a similar basis were 2 per cent lower at £10.2bn. However, in volume terms, with erratic items such as oil, aircraft and precious stones stripped out, the June figures showed a 0.3 per cent decline in exports and a 0.5 per cent increase in imports.

Both the current account deficit and the higher £1.6bn visible deficit, up from £1.5bn in May, were in line with analysts' expectations. Sterling rose initially before drifting easier to close 2 basis points down on its trade weighted index at 93.8.

While the Treasury pointed to the 4 per cent rise in export volumes over the first quarter as evidence that the strong recovery in exports was continuing, some analysts pointed to the underlying strength of imports as the most worrying characteristic.

Mr Keith Skeoch, senior economist at James Capel, the stockbroker, said: "We were looking for a real fall in import volumes to reflect the latest 2.8 per cent drop in retail sales and the recent dip in bank lending.

"Car imports fell as expected but even so the volume of imports, excluding erratics, still rose by 0.5 per cent over May. That means there are no grounds for lower interest rates for the foreseeable future."

The rise in exports, furthermore, was partly a statistical rebound from depressed February and March levels, he added.

Compared with the second quarter of last year, current export volumes, on a quarterly basis excluding erratics, are 12 per cent higher while import growth is a more modest 3.5 per cent. Even so the current account deficit over the first half of this year at £9bn is still running ahead of the £15bn annual deficit targeted by Mr John Major, Chancellor of the Exchequer.

Mr Kevin Gardiner, chief UK economist at Warburg Securities, said: "Consumer goods imports rose 8.5 per cent over the last quarter and 11 per cent compared with a year ago. Either retailers are making a big mistake and buying goods which will remain unsold or they think the 2.8 per cent dip in June retail sales to be an abberation."

Details, Page 10

Japan angers importers with report claiming overpricing

By Ian Rodger in Tokyo

A JAPANESE government study claiming that prices of imported goods such as cars, whisky, watches and cosmetics are up to 50 per cent higher in Japan than elsewhere is likely to rekindle a smouldering row between importers and the Government.

Japan has been under pressure in the past year to explain wide discrepancies between the domestic prices of some goods and services and their prices overseas.

The US charged in the Structural Impediments Initiative (SII) talks that these discrepancies resulted from structural features of the Japanese economy which worked to the advantage of Japanese companies and against foreign ones.

The Government carried out several surveys and studies of the subject, of which yesterday's study by the Economic Planning Agency (EPA) is the latest.

Japanese officials have seized on the findings of most surveys that imported goods are far pricier in Japan than elsewhere, saying that this shows importers and their agents are largely to blame.

European suppliers of international branded goods have responded angrily, claiming that the costs of supporting a brand business in Japan are exceptionally high.

In many cases, this is accentuated by the need to compete against powerful domestic companies which have long enjoyed protection from imports and established strong market positions.

European Commission representatives in Tokyo have pleaded with the Japanese Government not to publicise the price differentials, claiming that this could damage the few foreign companies which have won reasonable Japanese market shares.

These representations appear to have had some effect. The EPA study touches only lightly on the most controversial charge against importers, that their use of sole agents in Japan makes prices rigidly high.

Importers retort that sole agents are necessary for brand development and protection and they point out that most Japanese manufacturers of branded products use them in Europe and the US.

An EPA official admitted that the agency had not studied the reasons for any differences in behaviour of sole agents in Japan from those elsewhere. Nor had it tried to find out if the pricing behaviour of importers in Japan varied depending on whether or not they had market leadership.

The EPA's general finding was that the differential between the cost of living in Tokyo and other international cities had dropped substantially in the past year, mainly because of the depreciation of the yen. The overall cost of living in Tokyo was now about 20 per cent higher than that in New York; a year ago it was 40 per cent higher.

Moreover, the items on which prices were higher in Japan were mainly those in which government regulations had a large influence. The most outstanding were housing and land using services. With Tokyo at a base of 100, typical house rents in New York and Hamburg were only 64 and 62.

Camcorder battle for Sony and Matsushita, Page 3

Bundesbank warns E Germans against unjustified wage rises

By Andrew Fisher in Frankfurt

WEST GERMANY'S Bundesbank yesterday added its own warning voice to the chorus of criticism from industrialists and officials in both Germanys about the latest wage settlements in East German industry.

"Wage increases not matched by productivity could harm (East Germany's) internal and external competitiveness and endanger jobs," the central bank said in its monthly report. "Nor can the consequences of exaggerated wage adjustments be prevented through temporary job-preserving measures."

Settlements in the East German metalworking industry, which includes engineering, cars and electronics, provide for pay rises of around a third and a guarantee of no dismissals for a year.

Yesterday, 250,000 rail workers won DM300 extra a month, backdated to July 1, under a settlement that will mean they will be earning between 50 and 60 per cent of their West German counterparts' wages by next January.

Managers in East Germany have said that the higher pay can mostly be justified, but the job guarantees will make it harder to strengthen companies' finances and competitiveness and will thus increase bankruptcies.

The unions, however, argue that East German industry needs time to restructure, and that workers need assurances against sudden dismissals. Much of industry is thus resorting to short-time working, with the state making up much of the pay of those laid off and companies most of the rest.

The Bundesbank's remarks echo the statement of Mr Karl Otto Pöhl, its president, after its recent meeting in East Berlin. He called for radical change in the East German economy and said wage negotiators should be aware of the impact of high settlements on jobs.

East Germany's Government expects unemployment to rise above 1.5m, though some economists have forecast much more. Mrs Regine Hildebrandt, the Labour Minister, said people were "really desperate." Industry would have to shed around 1m jobs, agriculture some 250,000, and thousands of administrative posts would disappear.

The Bundesbank said pay levels would play a key role in determining East German competitiveness and employment prospects.

The link between average wages and labour productivity (the latter is around 40 per cent of West German levels) aimed for in the terms of currency union had to be maintained and improved through productivity gains.

"The wage agreements reached so far in East Germany make it questionable whether account is being taken of these requirements," it said.

Conceding that incomes were lower after the one-for-one conversion of wages into D-Marks and the introduction of the West German tax and social security system, the Bundesbank said consumer price levels were also basically lower, though the full effects still had to show through.

● Mr Tyll Necker, head of the West German Employers' Federation (BDI), has written to Mr Lothar de Maizière, the East German Prime Minister, complaining that East German workers had placed another obstacle in the way of new investment by adopting the West German law which prevents any significant change in labour contracts for 12 months after a takeover is made, writes David Goodhart in Bonn.

The law does not, as some believe, prevent rationalisation and redundancies for one year after a takeover, but it does make such rationalisation more legally complex, according to BDI officials.

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INSIDE

Samas-Groep to buy VFI

Samas-Groep of the Netherlands is to buy VF International, a UK office furniture business in a deal worth £83.5m ($115.2m). VFI's management had previously bought the company from Vickers, the UK engineering group, for £35.5m in November 1988 – investors have at least quadrupled their money in less than two years. The Dutch group has made a cash offer of about £34m for VFI's share capital and is taking on £29.5m of debt. Pages 32 & 33

Evode expands in US

Evode, the UK plastics and chemicals group headed by chairman Andrew Simon (left), is expanding its US operation with the purchase of two PVC companies from the Dexter Corporation. It will pay Dexter £24m ($43.6m) in total for Alpha Chemical & Plastics and Mercer Products and will raise the money through an issue of dollar preference shares. The acquisitions will enhance Evode's product range, geographical coverage and research and development capability, reports Jane Fuller. Page 32

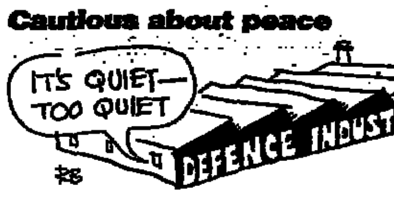
Siemens advances 5%

Siemens, the West German electrical and electronics group, raised its net profit by 5 per cent in the nine months ended June 30 while sales rose by only 3 per cent. Business slipped in the third quarter, with turnover down 16 per cent and profit down 11 per cent on the same period last year. David Goodhart reports from Bonn. Page 26

BBA buys US aviation group

The British industrial group BBA is beefing up its US aviation business by buying Van Dusen, a US aviation services company, for $23m. BBA will combine Van Dusen with its existing aviation subsidiary, Page Avjet, which it acquired as part of the Guthrie Corporation in 1988. The deal will add operations at 13 further airports to Page Avjet's existing seven locations. Page 32

Cautious about peace



Thomson-CSF, Europe's largest military electronics supplier, says it saw a shake-out coming in western defence industries three years ago. But it admits the sheer pace of recent shifts in the geostrategic balance has taken its breath away. Like other defence contractors, it is preparing for flatter sales in the years ahead. However, the group is not convinced that eternal peace is at hand, and forecasts a revival in defence spending in the mid-1990s. Page 20

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Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Dedal	225	+	5	Cogeflé	425	+	10
Nixdorf	333.3	+	7.8	**Falls**			
Falls				Afrique Occ.	483	−	28
Industriekredit	312	−	13	Isestal	340	−	18
Kali & Salz	262	−	8	Matra	334	−	12
V.E.W.	242	−	8	St. Gobain	543	−	22
Vereins-West	444	−	11	Valeurec	316	−	9
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
Kansas G&E	24 3/4	+	4 1/8	Harima Chems.	2180	+	180
Newmont Gold	46 3/4	+	2 1/8	Jidosha Buhin	1120	+	70
Falls				Nippon Felt	2750	+	190
Digital Eq.	77 7/8	−	3 1/4	**Falls**			
Fed. Home Ln.	76 3/4	−	3 1/2	Tobishima	1480	−	200
McDonalds	32 7/8	−	3 1/2	Toho Store	1700	−	150
Sallie Mae	45 3/4	−	4 1/8	Toyo Sason			
LONDON (Pence)							
Rises				Glaxo	833	−	25
Dalepak	122	+	10	GUS A	1033	−	35
Harvey&Thmpson	388	+	13	H'born Lestie	14	−	3 1/2
Huntingdon	22	+	5	ICI	1136	−	16 1/2
LASMO	434	+	12	Legal&General	425	−	5
MITIE	103	+	10	Lucas Inds	146	−	6
RHM	347	+	7	RMC	880	−	13
TSI	100	+	9	Racal Telecom	339	−	16
TI Group	528	+	10	Reuters	1229	−	38
Falls							
Barclays	397	−	11				
Clarkson (H)	223	−	10	THORN EMI	735	−	24

NatWest's US business loses $106m

By Martin Dickson in New York

NATIONAL Westminster Bancorp, the US banking arm of the British clearer, yesterday announced a second quarter net loss of $106.3m. It blamed the poor results on the weakness of the property market in the north east of the country and difficulties hitting some of its commercial customers.

NatWest Bancorp's operations are concentrated in the states of New Jersey and New York, where other banks have also been hit hard by a difficult regional economy and a severe property recession.

NatWest is one of the creditors of Mr Donald Trump, the property developer who recently had a brush with bankruptcy. It was also one of many banks involved in negotiations which led to the rescheduling of much of his debt last month. Some other banks are known to have put their Trump loans on a non-performing basis but NatWest yesterday declined to discuss the issue.

However, the loss – which compares with net income of $24.1m in the same period of last year – follows a $147.6m provision for loan losses, up from $44.7m in the same period of last year. It also comes after the establishment of a $30m reserve for the potential decline in value of properties which it now owns due to foreclosing on clients.

Mr William Knowles, the chief executive, said the continued decline in the north east property market had further eroded collateral values. "We have also seen a significant growth in non-performing assets reflecting the difficulties affecting some of our commercial customers."

Non-performing assets totalled $811m at June 30, or 5.2 per cent of total loans, compared with $605.7m, or 4.33 per cent, a year ago. US property accounted for some $410m of the total, and other domestic loans totalled some $387m. But the increase was offset by first-half sales of $381m of developing country loans. This resulted in a $264.4m write-off, cutting the total Third World portfolio to $49m from $750m a year ago.

The bank's primary capital ratio stood at 9.08 per cent on June 30, down from 9.85 a year before. The subsidiary said NatWest in London had subsequently made a $200m capital contribution to maintain its capital ratios in view of the Third World debt sales.

NatWest, alone among the British clearers, has aggressively expanded its US retail banking operations in recent years. It bought a bank in New York state at the end of the 1970s and two New Jersey banks in the last three years.

The bank's net interest income in the quarter was $182.1m, compared to $179.1m last year.

For the first half, the net loss totalled $90.2m, compared with net income of $58m in the same period the previous year, with a $203m loan loss provision, up from $64.8m.

Lex, Page 24

RHM in £93m sale of cereals division

By Clay Harris in London

NESTLÉ of Switzerland and General Mills of the US yesterday stepped up their challenge to Kellogg, the world leader in breakfast cereals, by paying £93m ($168.33m) for the ready-to-eat cereals interests of Ranks Hovis McDougall, the UK foods group.

The deal is the first purchase by Cereal Partners, a joint venture created late last year by Nestlé and General Mills. It will inherit RHM's third-ranking UK market share of 11 per cent, of which its Shredded Wheat brand accounts for more than half.

Mr Tim Howden, RHM's managing director, acknowledged that the disposal marked a reversal of strategy. It bought RJR Nabisco's UK cereal operations for £80m only in 1988.

"The competitive situation has changed dramatically," Mr Howden said. At the time of the Nabisco deal, RHM had expected its main UK rivals to remain Kellogg, now with 45 per cent of the market, and privately-owned Weetabix, with 14 per cent.

The Nestlé-General Mills link, however, heralded the emergence of another well-financed rival. Fortunately for RHM, Mr Howden said, it also increased the value of its three UK factories, at Welwyn Garden City and Watford in Hertfordshire and Bromborough on Merseyside.

Mr Craig Shulstad of General Mills said Cereal Partners would retain all three plants, its first UK manufacturing capacity.

It plans to introduce new brands and to increase shipments to continental Europe, where it hopes to win 20 per cent of the ready-to-eat cereals market. Nestlé has already contributed to the joint venture its cereals plants in France, Spain and Portugal. The partnership with General Mills applies everywhere except North America.

The latest sale raises to £350m the proceeds of completed or planned asset disposals by RHM in recent months. These include the S&A Lesme bulk chocolate business and a 70 per cent stake in Cerebos Pacific, a Singapore-based food group.

Mr Howden said RHM had now eliminated its borrowings.

RHM entered the cereals market in a big way only in 1987, when it acquired Viota, a private-label producer, through its acquisition of Avana, another UK foods group.

The cereal operations made an operating profit of £6.6m in the year to September 2 1989, when the assets being sold had a book value of £69m. RHM will retain £4m in financial assets.

Spreading the risk at Lloyd's of London

Richard Lapper reports on plans for new 'unit trusts'

LLOYD'S Names are running scared. More than 3,500 Names, or individual members, have left the London insurance market since the end of 1988.

Many more would have done so had they not been caught in syndicates which are still unable to quantify the size of claims they must pay for past years' business, and are thus left with "open years," where liability remains unsettled.

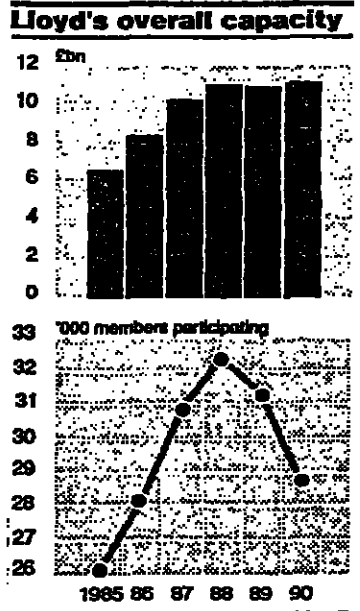
Now Lloyd's is fighting back. Proposals unveiled recently will allow Names to diversify their risks. But the proposals will not help those caught in the wave of losses of the past few years – and, in the view of some critics, will inevitably change the character of the market.

Much of the current problem stems from the 1960s, 1970s and early 1980s. During that time Lloyd's syndicates insured or reinsured many US asbestos, chemical and energy companies which have since had to pay compensation to the victims of asbestosis or fund multi-million dollar environmental clean-ups. With the cost of these claims exceeding the ability of syndicates to pay, many Names have been obliged to draw on their own personal assets; some face bankruptcy as a result.

Although there is no shortage of capacity at present, there are fears that Lloyd's ability to compete may be impeded by undercapitalisation when the reinsurance market starts to harden.

The plight of smaller investors who joined Lloyd's in the heady days of the mid-1980s, when a cheap pound and high reinsurance rates boosted profitability, has been the main impetus behind the proposals. Lloyd's new plan, called Members' Agents Pooling Arrangements (Mapas), will provide facilities through which Names should be able to diversify their risks more widely.

Lloyd's overall capacity



Alan Lord, Lloyd's managing director, has described the scheme as "a Lloyd's parallel to a unit trust or investment trust."

How these will work has become clearer following the circulation of fuller proposals, based on a report by a sub-committee of Lloyd's Underwriting Agents Association.

That marked the beginning of a consultation process expected to end by October.

It seems likely that the new scheme will be approved on schedule in March 1991, despite the reluctance of some sectors of the market.

Mapas would have particular appeal to less wealthy Names. Such people would typically bring between £100,000 ($180,000) and £250,000 to the market, an amount that agents would place in 10 syndicates or less.

Under traditional arrangements it would be prohibitively expensive for agents to spread those investments more widely. Pooling would provide smaller Names with a means of diluting their risk substantially, spreading the same £100,000 across as many as 100 or 150 syndicates, for example. It would also allow risks to be spread without abandoning the principle of unlimited liability.

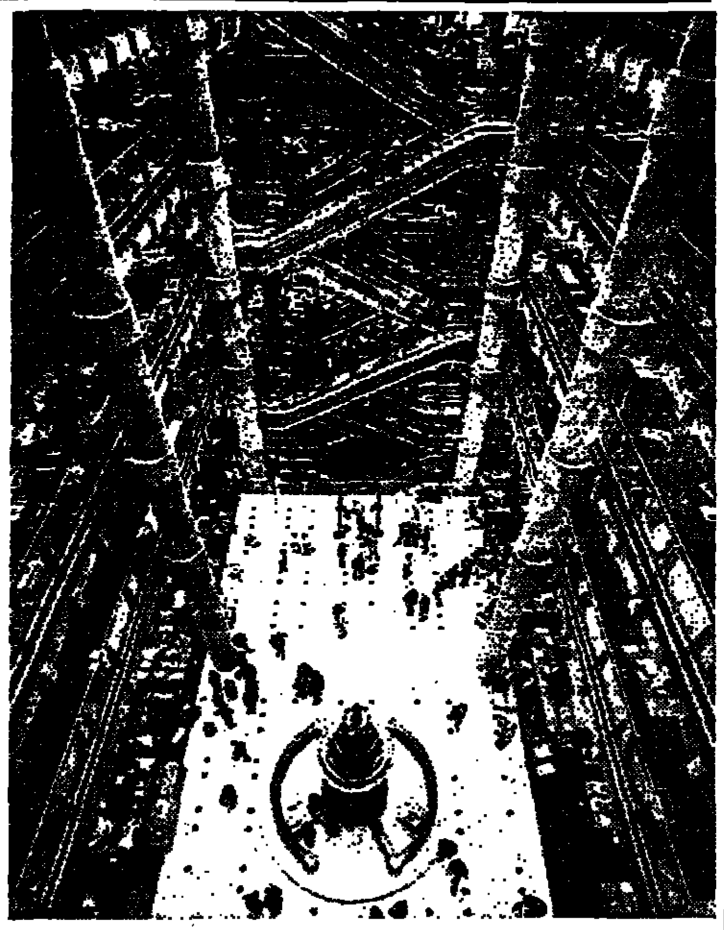
Mapas would also allow greater flexibility. The Lloyd's report suggests the change would allow Names to vary their commitments. Names would be allowed to invest in Mapas and directly at the same time.

Opponents, however, suggest that pooling will undermine the entrepreneurial character of what has been a high reward, high risk market.

Frank Furford, managing director of Lloyd's brokers, Hargreaves, Reiss and Quinn, says Mapas are "dangerous for the whole market."

He describes Mapas as a "clever boy's concept" which will leave Lloyd's a "modern monolith," in which the size of the big agencies and syndicates will be "set in concrete." The market should accept the departure of smaller Names and seek to attract the wealthy by "increasing potential rewards."

Francis Sullivan, who analyses the London market for Price Waterhouse, says he has detected opposition from some of Lloyd's more successful underwriters. They feel that market perception of their results could be adversely affected.



Inside Lloyd's of London: helping the smaller Names

The idea's backers suggest that these fears are unfounded. Indeed, increased competition is a key feature of the new scheme.

The report suggests that until the new scheme has become established members' agents should be restricted to one Mapa each. It also says, however, that different types of Mapa, specialising in particular market sectors or class of risk, could be operated by different members' agents.

The bigger agencies have been the most enthusiastic supporters. Mr John Robson, chairman of Merrett Underwriting Agencies, says: "Size and economies of scale will be increasingly important to give the necessary security to Names."

Mapas is the latest of a series of changes at Lloyd's which have increased the influence of the bigger managing and underwriting agents.

Many at Lloyd's dislike the trend, but others see the process as inevitable in an increasingly competitive market: "Our role in the future will be more akin to that of a substantial investor in a business," says Mr Robson. "Mapas will be part of that process."

Blue Circle purchases Italian sanitary ware group for L80bn

By Andrew Taylor in London

THE AMBITIONS of Blue Circle, the British cement maker and home products group, to expand in continental Europe have taken a new tack with its acquisition of Italy's second largest bathroom sanitary ware company.

Blue Circle, the largest cement manufacturer in the UK, has agreed to pay L80bn (£36.5m) for Ceramica Dolomite, a privately-owned Italian sanitary ware company with about 15 per cent of the bathroom market in Italy. The company also exports to France, Germany and, to a lesser extent, Greece.

Italy, which is Europe's largest market for bathroom sanitary ware, accounts for 20 per cent of the annual £1bn European sales at factory prices, according to Blue Circle. Britain is the second largest market accounting for 15 per cent of European sales. France and Germany account for 14 per cent each.

Blue Circle, the world's third-largest cement manufacturer, has only recently targeted continental Europe for expansion of its cement and home products activities. In May it agreed to pay £93.3m for a 50 per cent stake in Aalborg Portland, Denmark's sole cement manufacturer.

Mr James Loudon, Blue Circle's finance director, said yesterday that the group was looking at other opportunities for acquisitions or joint ventures in continental Europe for its bathroom, heating and heavy building material businesses which might involve cement and aggregates.

Ceramica Dolomite had pre-tax profit of £5.5m on sales of just over £40m last year. About one quarter of sales are exports, half of which go to France and Germany.

Its designs are thought to be more suited to continental tastes than those produced by Blue Circle's UK sanitary ware businesses which export only small amounts mainly to Commonwealth countries.

Mr Charles Young, chief executive of Blue Circle's home products division, said the Italian market for bathroom sanitary ware was more fragmented than in the UK and would provide greater opportunity for growth through consolidation.

The five largest UK sanitary ware manufacturers, which include market leader Blue Circle through its Armitage Shanks and Qualcast companies, account for more than 95 per cent of the domestic market, he said. The top five Italian manufacturers account for only 60 per cent of the local market.

Capacity at Ceramica Dolomite, founded 25 years ago and based 100 miles north of Venice, is being expanded in a bid to increase sales in the Italian market and to other European countries. Blue Circle intends retaining its local management.

France funds FFr3bn HDTV plan

By William Dawkins in Paris

THE French Government is to fund a FFr3bn ($544m) five-year development programme for high definition television (HDTV) to be carried out by Thomson, the state-controlled defence and electronics group.

The decision, confirmed by the Industry Ministry yesterday, will complete Thomson's share of a FFr20bn joint project with Philips, the Dutch electronics group, under which they plan to produce HDTV receivers for public sale by 1995.

Thomson has already set aside FFr6bn for HDTV, bringing its total contribution to the project to FFr9bn, with the remaining FFr11bn coming from Philips.

Their alliance is the most ambitious European attempt yet to win supremacy over the Japanese in a product which is expected to generate an enormous market for replacement televisions, video-cassette recorders and broadcasting equipment.

Separately, the French Government is considering a possible FFr2bn capital injection for Thomson – not specifically related to HDTV – to add to the FFr2bn the electronics group received earlier this year. A final decision is expected in the autumn.

In return for the HDTV cash, Thomson has signed a contract with the state guaranteeing to observe fixed deadlines and research objectives.

The Franco-Dutch venture includes both partners' existing contributions to existing work on HDTV technical standards in the Eureka pan-European research programme.

The next step covers every step of HDTV development, including components, integrated circuits, studio equipment and the full receiver sets.

Final details of how the two will work together are to be decided by the end of the year.

In the meantime, Thomson is planning to bring out by Christmas an intermediate HDTV set, for sale at around FFr30,000. It will offer enhanced picture quality and compact disc type sound, using an existing broadcasting standard.

Coping with a European farewell to arms, page 26

This announcement appears as a matter of record only. These securities are not being offered publicly.

$300,000,000

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WERTHEIM SCHRODER & CO.
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June 1990

Siemens profits up 4.6% as sales grow strongly

By David Goodhart in Bonn

SIEMENS, the West German electrical and electronics group, yesterday announced a rise of just 4.6 per cent in nine-month net profits to DM1.14bn ($692m), despite a much stronger underlying growth rate in domestic sales.

Worldwide sales in the nine months ended June 30 rose 3 per cent to DM45.3bn. Domestic sales were also down slightly on the same period last year (from DM21bn to DM20.2bn), but that is partly explained by the boost to last year's turnover from the DM4bn power station Neckar Two.

Business slipped in the third quarter, with worldwide turnover down 16 per cent and profit down 11 per cent on the same period last year. But if the Neckar reactor is excluded from last year's figures, domestic sales rose 25 per cent in the latest quarter.

Foreign sales for the nine months rose to DM25.1bn, from DM23bn last year, and incoming orders were up from DM47.7bn to DM51bn, a rise of 7 per cent compared with 12 per cent at the six-month stage. Foreign orders rose 12 per cent to DM30.2bn compared with a mere 1 per cent rise in domestic sales to DM20.8bn.

About one third of the growth in orders and sales in the nine month period was due to the consolidation of newly acquired firms.

Investment rose sharply from DM3.3bn to DM5.3bn which reflected higher spending on fixed assets and the acquisition of a majority share in Nixdorf.

Lex, Page 24

● **Messerschmitt-Bölkow-Blohm**, the West German aerospace group, said its profit and sales had slumped in 1989 from the previous year due to a major restructuring in connection with the takeover by Daimler-Benz, Reuter reports.

In its 1989 annual report, MBB, part of Daimler's aerospace unit Deutsche Aerospace (Dasa), said group net profit fell to DM30.3m from DM99.7m in 1988 and group turnover fell to DM6.3bn from DM7.1bn.

● **Karstadt**, West Germany's largest retail chain, said it had reached a long-term co-operation agreement with ten of East Germany's Centrum Warenhausgesellschaften stores, Reuter reports.

Investment income gain sparks recovery at UBS

By Peter Montagnon in Geneva

PARENT company earnings at Union Bank of Switzerland recovered in the second quarter, but not sufficiently to offset the shortfall carried over from the first three months of this year.

In its quarterly report yesterday, the bank said the improvement was due above all to higher investment income. Commission income matched that of the first quarter, while earnings from foreign exchange and precious metals trading declined.

Net interest income was also depressed in spite of a substantial increase – from SFr700m to SFr106.5bn ($75.7bn) – in loans outstanding.

Switzerland's inverted yield curve meant that the bank was still suffering a drop in retail and savings deposits, though at a slower pace than in the first quarter, and had raised its reliance on more expensive interbank funding by SFr2.8bn.

Total assets rose by SFr2.5bn to SFr181.3bn, in spite of a plunge in both the dollar rate and the gold price, it said. Shareholders' funds rose by SFr736m to SFr13.4bn as a result of the recent capital increase and additions to reserves.

The bank gave no earnings figures, but it said that overall group results in the first half only just fell short of the level reached in the same period of 1989.

NEWS IN BRIEF

Telefónica up 28.5% in first half

TELEFONICA, the state-controlled Spanish telecommunications company which is 25 per cent owned by institutional investors outside Spain, raised its first-half net profits by 28.5 per cent to Pta42bn ($411.7m) and its cash flow to Pta165bn, a 15.6 per cent increase on the first six months of 1989, writes Tom Burns.

The results were due to a 19.7 per cent rise in revenues thanks, in part, to increased telephone tariffs, and to a careful control of costs, the company said. Personnel costs which account for 80 per cent of the total rose by 15 per cent against a 20 per cent rise in the first half of last year.

The first-half statement noted that there were symptoms of a lowered demand for new telephone lines and of less line usage domestically. But income from mobile phones and international calls rose sharply.

■ **Renault** said signature of a complex share swap deal involving the French state-owned carmaker and Sweden's Volvo has been delayed until the autumn, Reuter reports.

Renault and Volvo had been due to sign the co-operation pact on June 30. Renault said a summer lull had delayed its completion, but added there were no obstacles in the way of the deal.

■ **Nestlé** is to start preparing its US Stouffer Restaurant unit for eventual sale, following extensive evaluation of the long-range strategy of Nestlé in the US, Reuter reports.

■ **Liber**, a publishing unit of Sweden's Procordia conglomerate, is taking over the publishing activities of Esselte, the Swedish group currently being restructured, in a deal which will create one of Sweden's biggest publishing groups, writes Andrew Baxter.

Ownership of Liber will also be restructured, with Procordia's stake dropping from 100 per cent to 25 per cent, and the new owners will be a consortium of Swedish institutions and the management group of the new company.

Coping with a European farewell to arms

Guy de Jonquières on the strategy of Thomson-CSF as battle lines are redrawn

AT THE Paris headquarters of Thomson-CSF, as elsewhere in the European defence industry, a lot of conversations these days begin along the lines: "It is wonderful that old hostilities are ending in Europe, but . . ."

The company, Europe's largest military electronics supplier and the publicly-quoted defence subsidiary of France's state-owned Thomson electronics group, says it saw a shake-out coming in western defence industries as long as three years ago.

But it admits the sheer pace of recent shifts in the geostrategic balance has taken its breath away. "We are all living from day to day," says Mr Jean-François Briand, one of Thomson-CSF's three directors-general.

None the less, Thomson is far from convinced that eternal peace is at hand. While reconciled to the prospect of some lean years ahead, it believes western defence markets will recover in the mid-1990s and is seeking to position itself to take full advantage of them.

With more than half its FFr33.7bn ($6.13bn) sales last year outside Europe and no sign yet of any cuts in French defence spending, Thomson-CSF may seem less vulnerable than some of its rivals. However, the prolonged weakness of oil prices is affecting its main Middle East markets, and two of its prestige contracts – a $4bn Saudi missile system and a FFr10bn US communications network – are due to end in the next two years.

Mr Alain Gomez, chairman of both the Thomson group and Thomson-CSF, expects turnover in 1995 to be 20 per cent below this year's level. He has pledged to keep margins at between 5 and 6 per cent of sales, but admits he will be relying heavily on income from the 14 per cent stake in the nationalised Crédit Lyonnais bank, which contributed almost half of last year's Thomson-CSF profits.

The company's overriding objective in the 1990s is to deepen its specialisation in areas where it is already strong, by acquiring international competitors where it can and forging international alliances and co-operation agreements where takeovers are not possible.

It has bought most of the European defence electronics interests of Philips of the Netherlands, the UK-based Link-Miles simulator company and half of Ferranti's sonar division, after failing to buy Ferranti's radar business. It has pooled its avionics operations with Aérospatiale, the state-owned French aerospace group, plans to form a joint venture in missile systems with British Aerospace and is discussing technical collaboration in radar with GEC.

Though industry experts do not fault Thomson's broad strategy, some question its implementation. For instance, Signaal, Philips' Dutch defence subsidiary, is expected to suffer from the impact of deep cuts in the country's defence spending, which have underpinned its exports in the past.

Indeed, a top Philips executive said recently that Signaal's order book was running down so fast that the company could have been hard to sell in a few months' time. However, Thomson executives say they are happy with the purchase, which was motivated by Signaal's world leadership in naval combat systems. By contrast, Thomson's agreement to pool its missile technology in a joint venture with BAe, to be called Eurodynamics, is widely considered a shrewd deal.

On paper, it is a near-perfect fit, marrying the French company's missile systems technology with BAe's missile-making capabilities. Mr Gomez says it is a "major, major move."

But the two partners have yet to decide exactly what missiles to sell. That could be politically sensitive, since the Rapier Two system which BAe is currently developing will be a direct competitor of the Crotale, made by Aérospatiale, for which Thomson provides the electronics. Aérospatiale, understandably, is less than happy about the situation, and it is unclear how it will be resolved. On top of that, some defence analysts believe that missile systems could be among the earliest casualties of European defence cuts.

In airborne radar, Thomson's fate is tied firmly to one customer, Dassault, France's main military aircraft manufacturer. Mr Piers Whitehead of Robert Fleming Securities estimates that every Dassault aircraft is packed with as much as FFr40m worth of Thomson electronics.

Dassault's fortunes will depend critically on a recovery in export markets and the firmness of the French Government's commitment to proceed single-handed with the Rafale fighter.

"If Dassault's sales fall, we have a problem," says Bertrand Cambier, a Thomson-CSF director general.

Thomson is also putting a lot of emphasis on command, control and communications (C-cubed) systems and surveillance technology. It reasons that if weapons' stocks fall, it will be increasingly important to be able to deploy them as efficiently as possible. Probably the biggest question for the future is whether the company's decisions to build on its strengths will be rewarded by access to wider markets.

In the near-term, it believes its best hopes lie in South East Asia.

Mr Gomez complains that Europe has yet to develop transnational defence procurement policies to match recent industrial restructuring and sees few opportunities to expand Thomson's US presence soon.

Mr Cambier thinks a further round of restructuring may be needed in Europe before national procurement opens up appreciably.

At the French defence ministry, however, the view is slightly different. Some officials there talk enthusiastically of building a Franco-British axis in defence procurement and of the possibility of US suppliers entering Europe in alliance with local partners.

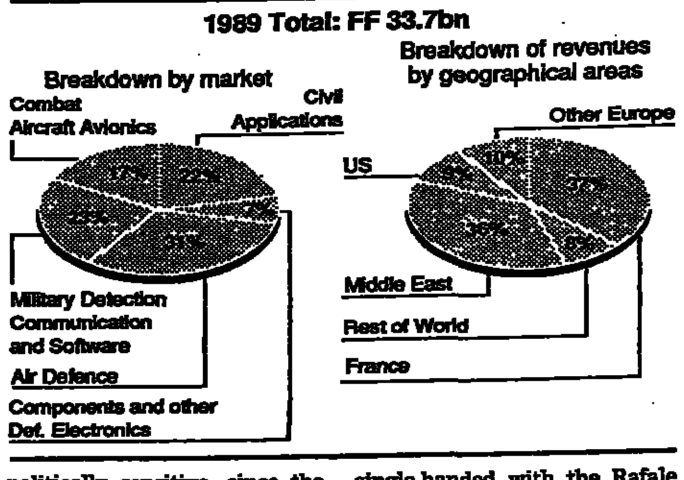
Meanwhile, Thomson-CSF is preparing for flatter defence sales by shedding production workers as rapidly as possible and exploring opportunities in civil markets such as telecommunications, automotive electronics and environmental controls.

It already has one highly successful civil business in air traffic control systems, where it claims 30 per cent of the world market excluding the US. With big modernisation programmes in the offing in Europe, Thomson is confident of doubling the division's turnover of FFr1.5bn last year by the end of 1995.

This is the final article in a series on the Thomson group. Previous articles appeared on July 16 and 17.

Thomson-CSF

1989 Total: FF 33.7bn



Northwest Airlines offers to buy Eastern's prime assets

By Roderick Oram in New York

NORTHWEST Airlines wants to buy the prime assets of Eastern Air Lines and liquidate the rest of the deeply troubled carrier to strengthen its own position in the southeastern US and replace ageing aircraft.

NWA, its parent company, said it would not comment on the plan, which it reportedly was putting to Eastern's creditors yesterday. But analysts said Northwest's desire to buy only part of Eastern would not fully insulate it from Eastern's dire labour problems.

Eastern, operating under protection of the bankruptcy court since March, 1989, said it was still interested in proposals to buy the whole company. It added that Mr Martin Shugrue, the trustee recently appointed by the court to run the company, was trying to rebuild the business.

Of Eastern's assets, the most attractive are its gates and maintenance facilities at Atlanta and Miami airports and some 80 relatively new aircraft, including 23 Boeing 757s, which could allow Northwest to retire some of its old DC-9 airliners. Hubs in Atlanta and Miami would complement the strength of Minneapolis-based Northwest in the midwest, west and the Pacific.

Creditors would face the choice of partial payment sooner through an NWA deal or the chance of a somewhat bigger payment later if Mr Shugrue manages to turn-around the loss-making carrier.

However, any deal would plunge Northwest into difficult choices, particularly over whether to hire Eastern employees, including new recruits, the machinists who went on strike and the pilots who walked out in sympathy.

Acquisition of Eastern assets could also be something of a financial burden to Northwest, which was taken private in a highly leveraged buy-out last year.

CRÉDIT FONCIER:
AT THE CROSSROADS OF REAL ESTATE AND FINANCE

Since it was founded in 1852, Crédit Foncier de France, an incorporated company, whose shares are listed on the Paris Bourse, has played an important role in the French real estate world.

Crédit Foncier has a special legal status established by government's decret. In 1989, CRÉDIT FONCIER reaped the benefit of the redeployment and diversification efforts made over several years, backed up by the specific emergence of the Group.

RISING PROFITS
The net profit (FF 561 million) represented an increase of more than 20% compared to 1988.

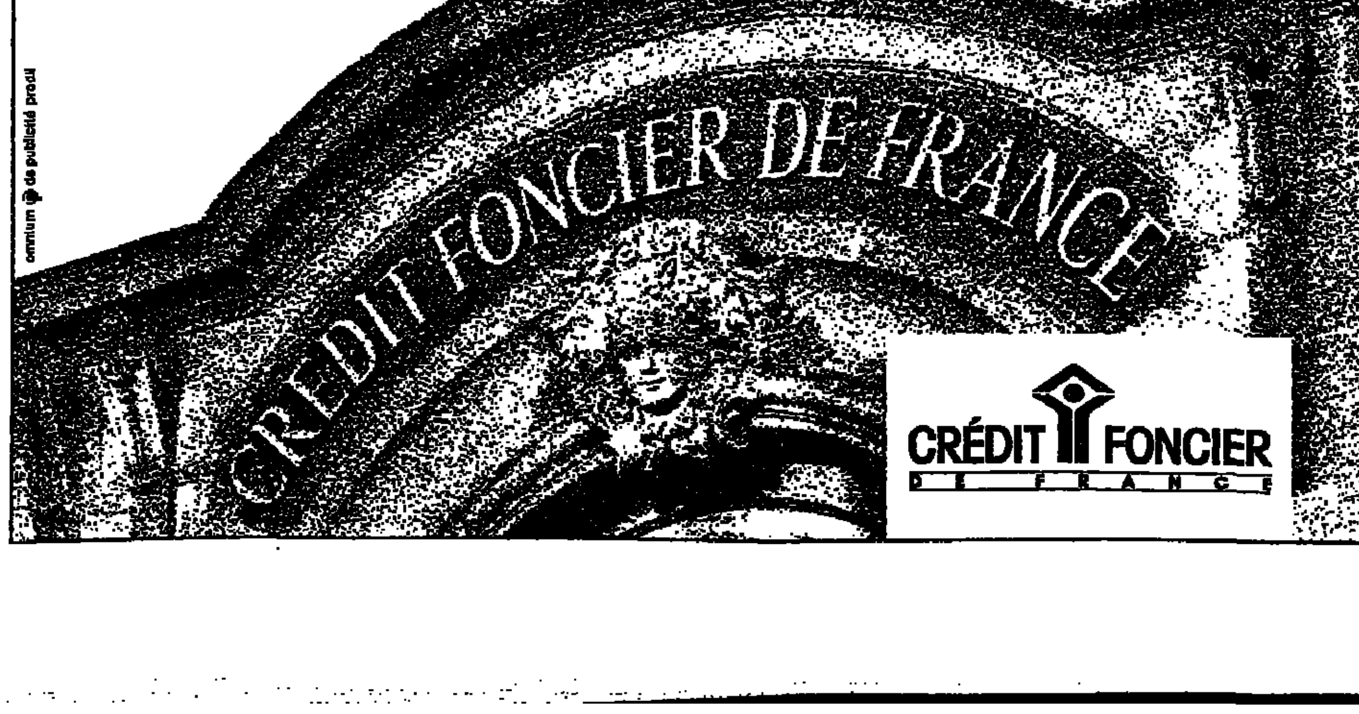
The global dividend distributed was FF 317.1 million i.e. an increase of 37% compared to 1988.

THE TURNING POINT IN 1989
For the first time, more than half of CRÉDIT FONCIER's production was in competitive sectors. Production showed a global rise of 4% in 1989. Totalling FF 31.3 billion, reversing the percentages of subsidised and competitive sectors.

In a constantly increasing range of products and services, redeployment was particularly successful in one sector: the financing of local communities.

ASSERTION OF A GROUP STRATEGY
The creation and development of French and European subsidiaries around the parent company indicates the extension and development of CRÉDIT FONCIER's two trades:

FINANCE AND REAL ESTATE
Compagnie Foncière de Crédits ((Crédits Promoteurs) achieved very good results.
Major diversification of real estate and asset investment subsidiaries.
- Foncier Habitat: represents 25,000 council houses and has become a holding company specialized in property ownership and development.
- Immobilière Foncier Madeleine: represents some FF 10 billion in assets and manages property of around 325,000 m² in the center of Paris.
The capital funds of the Crédit Foncier Group are close to FF 30 billion, including FF 7 billion in foreign loans.



CRÉDIT FONCIER DE FRANCE

RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES
ECU 100,000,000
Guaranteed Floating Rate Notes due 2005
Unconditionally guaranteed by
The Kingdom of Spain
Holders of Notes of the above issue are hereby notified that for the interest period from 24th July, 1990 to 24th October, 1990 the following will apply:
1. Rate of Interest: 10.25% per annum
2. Interest Amount payable on Interest Payment Date: ECU 261.94 per ECU 10,000 nominal or ECU 2,619.44 per ECU 100,000 nominal
3. Interest Payment Date: 24th October, 1990
Agent Bank
Bank of America International Limited

U.S. $75,000,000
SWEDBANK
(Sparbankernas Bank)
Subordinated Floating Rate Notes due 1997
Notice is hereby given that for the three months Interest Period from July 24, 1990 to October 24, 1990 the Notes will carry an Interest Rate of 8⅜% per annum. The interest payable on the relevant interest payment date, October 24, 1990 will be U.S. $5,350.69 and U.S. $214.03 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000. The sum of U.S. $214.03 will be payable per U.S. $10,000 principal amount of Registered Notes.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
July 24, 1990
CHASE

U.S. $50,000,000
Banque Française du Commerce Extérieur
Floating Rate Notes Due 1991
Interest Rate: 8.3875% per annum
Interest Period: 23rd July 1990 – 23rd January 1991
Interest Amount per U.S. $5,000,000 Note due 23rd January 1991: U.S. $214,347.22
Credit Suisse First Boston Limited, Agent Bank

CIVAS INTERNATIONAL LIMITED
SERIES CIVAS 15
U.S.$30,000,000
Secured Floating Rate Notes due 1993
Interest Rate 8.4175% p.a. Interest Period July 24, 1990 to January 24, 1991. Interest Payable per US$100,000 Note US$4,302.28.
July 24, 1990, London
By Citibank, N.A. (CSSI Dept.), Agent Bank

This announcement appears as a matter of record only.
June 1990
Cambridge Cable Limited
257,419 Ordinary Shares
100 Redeemable Cumulative Preference Shares
Lead Investor:
Comcast Cablevision of Cambridge, Inc.
a wholly-owned subsidiary of
COMCAST CORPORATION
The undersigned structured this transaction, arranged the private placement of these securities and acted as financial adviser to Cambridge Cable Limited.
PaineWebber International

LIVES XIV Limited
(Incorporated with limited liability in the Cayman Islands)
U.S. $20,000,000
Series B
Secured Floating Rate Notes due 1992
Notice is hereby given that for the period 23 July, 1990 to 22 January, 1991 the Bonds will carry an interest rate of 8.4175% per annum with a coupon amount of U.S. $42,788.96 per U.S. $1,000,000 denomination payable on 22 January, 1991.
Bankers Trust Company, London — Agent Bank

The Korea Development Bank
(Established in the Republic of Korea under the Korea Development Bank Act 1953 as amended)
U.S. $200,000,000
Floating Rate Notes due 1997
For the six month period 20th July, 1990 to 22nd January, 1991 Notes will carry an interest rate of 8¼% per annum with a coupon amount of U.S. $4,262.50 per U.S. $100,000 Note, payable on 22nd January, 1991.
Listed on the Luxembourg Stock Exchange
Bankers Trust Company, Hong Kong — Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

Acquisition costs hit Time Warner

By Barbara Durr in New York

IN SPITE OF strong performances in its film and cable television divisions, Time Warner, the world's leading media and entertainment company, announced an overall second-quarter net loss of $51m, or $3.29 per share, on revenues of $2.58bn.

Given an equally disappointing result the first quarter, the company reported a first half net loss of $102m, or $6.54 per share, on revenues of $6.54bn. This compares with earnings of $146m for the first half of 1989 on revenues of $2.35bn.

The company is still plagued by the interest costs of its $14bn acquisition last year of Warner Communications, which left it with a $10.8bn debt. These bit into its record operating earnings before interest, taxes, depreciation and amortisation of $536m for the second quarter.

First-half pre-tax and interest earnings were a record $1.07bn.

Analysts had expected a second-quarter loss, but not such a large one, and in mid-morning trading yesterday the company's shares had fallen $3¾ to $91⅛.

Four of its six businesses set second-quarter records, the company said, with the Filmed Entertainment division leading the pack in terms of growth. Strong video sales worldwide, especially for the films Tango and Cash, Lethal Weapon II, and Christmas Vacation, brought the division's second-quarter profits up 23 per cent to $75m, compared with last year's $61m for the same period.

The cable television division's profits also moved up by 17.5 per cent to $188m for the second quarter, compared with $160m in the same period last year. This segment benefited in particular from the acquisition last year of cable properties from Centel Cable and subscriber gains.

The recordings division's profits rose in the second quarter to $125m, up from $118m for the comparable period last year, and the Programming-HBO division's profits increased slightly to $46m for the second quarter, compared to $43m for same period last year.

The books and magazines divisions posted losses of $21m and $14m, respectively, for the second quarter compared to the same period last year.

3M income rises 4.7% to $342m

By Martin Dickson in New York

MINNESOTA Mining and Manufacturing, the diversified US industrial group, yesterday reported a 4.7 per cent increase in second-quarter net income, with profits restrained by the slow growth of the US economy and the economic upheaval in Brazil.

The company reported net income of $342m, or $1.54 a share, up from $327m, or $1.49 a share, in the same quarter of last year, while sales rose 6.9 per cent from $3.02bn to $3.23bn.

Mr Allen Jacobson, chairman of the group, said the figures benefited from "a pick up in our US unit volume growth and from continued productivity improvement efforts."

US unit volume growth rose about 3 per cent for the quarter. The company said this was above the growth in the US economy and compared with growth of 1 per cent in the first quarter.

Outside the US, unit growth was in double digits for the 10th consecutive quarter. International profits, however, declined slightly from the same period of last year because of the impact of sweeping economic changes in Brazil, negative currency effects and investments in new businesses.

The group estimated that Brazil cut earnings by about 3 cents a share.

However, Mr Jacobson said 3M expected slightly stronger growth in the US economy in the second half.

This, coupled with ongoing productivity improvement efforts, should help US results for the balance of the year.

International profits would benefit from continued solid volume growth, as well as from recent weakening of the US dollar and improvement in its Brazilian business.

Bad weather hurts Monsanto

By Karen Zagor in New York

MONSANTO, the big US chemicals company, yesterday reported a decline in underlying earnings for the second quarter of 1990 on modestly higher sales, with bad weather hurting the company's farm chemicals business.

Net income for the three months ended June 30 rose to $247m or $1.90 a share, but the 1990 results include an after-tax gain of $31m or 24 cents from the sale of some of the assets from its Japanese joint venture with Mitsubishi Kasei.

Without the gain, earnings would have fallen by 10 per cent on the $241m or $1.77 cents reported last year. Sales in the latest quarter improved 1 per cent to $2.37bn from $2.35bn. The second-quarter results were in line with analysts' expectations.

For the 1990 first half, net income fell 5 per cent to $441m from $463m, while earnings per share slipped 1 per cent to $3.37 from $3.39. Six-month sales rose 1 per cent to $4.65bn from $4.61bn.

Operating profits from agricultural chemicals in the second quarter fell 20 per cent to $172m, from $216m in 1989 on sales down 5 per cent to $504m.

"The weather is always a factor in our agricultural business, but only one year in memory has produced such difficult conditions for our herbicides," said Mr Richard Mahoney, chairman and chief executive.

Animal sciences produced an operating loss of $7m on sales of $31m, compared with an operating loss of $8m on sales of $40m a year earlier.

Monsanto's chemical unit had operating income or $127m on sales of $993m in the 1990 quarter, compared with operating profits of $144m on sales of $1.04bn a year earlier.

Mr Mahoney said the business had a good quarter, considering the prolonged weakness in US automotive markets.

Pharmaceuticals, including the GD Searle operations, had profits of $13m, on sales of $352m, compared with compared with an operating loss of $4m on sales of $295m.

The NutraSweet operations, which produce the artificial sweetener, saw flat operating income of $55m in the latest quarter on sales which grew to $243m from $220m. The company said increased sales of NutraSweet were largely offset by costs associated with introducing Simplesse, the low-calorie fat substitute.

Cummins warns of third-quarter loss

By Roderick Oram in New York

CUMMINS Engine, the diesel engine maker which agreed last week to sell 27 per cent of its equity to Ford Motor, Tenneco and Kubota, barely broke even in the second quarter because of the continuing slump in North American demand for heavy-duty truck engines.

It warned it expected to report a third-quarter loss, although the deficit would be smaller than a year earlier. It forecast that North American sales of heavy duty trucks in the current quarter will be down some 10 per cent from a year earlier and down 33 per cent from the cyclical peak in the second quarter of 1989.

Cummins said its performance in the fourth quarter would depend on market conditions. However, it saw no sign of an improvement. Cummins is the dominant supplier of engines for heavy-duty trucks in the US and Canada.

Net profits for the second quarter ended July 1 fell to $8.1m from $23.9m. After payment of preferred share dividends, net earnings were $1.5m, or 15 cents a common share, against $21.9m, or $2.03.

Wall Street had expected profits closer to 40 cents a share.

The first-half net was $15m against $43.4m. After preferred dividends it was $5.8m, or 56 cents, against $39.4m, or $3.65. Sales fell to $871.3m in the second quarter, from $930.9m and in the first half, to $1.73bn from $1.85bn.

A fall in warranty costs on some new engine models to 2.6 per cent of sales from 4.7 per cent a year earlier helped bolster profits in the second quarter and will help reduce the loss in the third period, the company said.

Marsh & McLennan shows slight rise

By Janet Bush in New York

MARSH & McLENNAN, the leading US insurance broking and business services group, yesterday reported a modest advance in net income and revenues in its second quarter.

Net income increased to $81m from $77m in the same quarter a year ago, and earnings per share edged higher to $1.10 from $1.08 a year ago.

Revenues totalled $677m compared with $608m for the same period in 1989.

For the six months ended June 30, revenues increased to $1.4bn from $1.2bn in the first half of 1989 and net income was $175m from $166m. Earnings per share for the first half totalled $2.39 a share, up from $2.31 a year ago.

Marsh & McLennan's revenues from insurance services totalled $379.8m in the second quarter. Revenues of $228.4m came from consulting and $69.1m from investment management.

The company's share price was quoted $1¼ lower at $73⅞ in mid-morning trading on the New York Stock Exchange.

Sales growth lifts Mattel net to $20m

MATTEL, one of the world's biggest independent toy manufacturers, has reported a 22 per cent increase in second-quarter net income to $20.3m, or 40 cents a share, on sales which grew 17 per cent to $318m, writes Karen Zagor in New York.

The company attributed its improved results to the strength of its consumer franchises and its international marketing and distribution network.

Mr John Amerman, chairman and chief executive, said volume growth for Mattel's core products, including the Barbie, Hot Wheels and Disney Preschool lines, rose 24 per cent in the first half.

A year earlier, Mattel had net earnings of $16.6m, or 33 cents a share, on sales of $272m.

For the first half, Mattel's net income advanced 37 per cent to $28.7m, or 57 cents a share, on sales of $552m from net income of $20.8m or 42 cents on sales of $468m.

McDonald's US business disappoints

By Barbara Durr

SHARES IN McDonald's, the US group which licenses and operates the world' largest chain of fast food restaurants, fell $2⅝ to 33¼ yesterday morning as Wall Street reacted coolly to lower than expected second-quarter figures reported after the market closed on Friday.

The Oak Brook, Illinois based company, had reported a 10 per cent increase in revenues for both the second quarter and the first half this year, but said it was "not satisfied" with its domestic sales.

Sales in the US rose during the first half by just 3 per cent, to $6bn, while sales outside the country increased a brisk 19 per cent, to $2.93bn. Total first half sales were up just 8 per cent to $8.94bn.

Net income was up 10 per cent for the second quarter to $215.8m, or 59 cents per share, bringing the rise for the first half to 11 per cent to $373.9m, or $1.02 per share.

Mr Michael Quinlan, chairman, said while US sales were softer than expected, he foresaw strong growth outside the country and predicted the 1990s would be the best decade in McDonald's history. Its Moscow restaurant was its largest volume outlet.

Modest increase for American General

By Martin Dickson in New York

AMERICAN General, the US insurer which put itself up for sale in May, showed a modest rise in second-quarter net income, to $198m from $190m, and said both domestic and international buyers had shown strong interest in the group.

Operating earnings, which exclude realised investment gains, rose 26 per cent to $117.5m, from $98.4m, or from 78 cents a share to 98 cents. The group's total earnings per share worked through at $1.65, compared to $1.47.

Mr Harold Hook, the chairman, said the sale of the fourth largest publicly quoted US insurer – provoked by a hostile bid from Torchmark, a smaller US rival – was proceeding according to the expectations of the company and its financial advisers.

Mr Hook said the increase in operating earnings stemmed from a large restructuring, completed in 1989, and an improvement in operations, notably in consumer finance and retirement annuity.

For the first six months, net income totalled $305.1m, or $2.55 a share, against $287.2m, or $2.24 a share, while operating earnings were $220m, up from $190.4m.

The Republic of Panama

U.S. $50,000,000

Floating Rate Serial Notes due 1991

For the six months

25th July, 1990 to 25th January, 1991

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 8 13/16 per cent. per annum, and that the interest payable on the relevant interest payment date, 25th January, 1991 against Coupon No. 23 will be U.S. $72.07.

The Industrial Bank of Japan, Limited

Agent Bank

Brazil bank down 13.1%

By John Barham in Sao Paulo

BANCO Bradesco, Brazil's largest privately-owned bank, has reported a first-half pre-tax profit of US$177.34m, down 13.1 per cent.

Total assets fell 15.2 per cent to $17.17bn. However, an overvalued local currency overstates the bank's decline in profitability.

Bradesco's performance indicates the extent of the damage suffered by the Brazilian financial system with the introduction on March 15 of a tough anti-inflation package by President Fernando Collor de Mello.

Mr Collor temporarily froze about 80 per cent of financial assets, which helped bring inflation crashing down to 12 per cent per month from 84 per cent in March. Heavy inflation, high real interest rates and sophisticated money management made Brazilian banks highly profitable.

Bradesco says that by one count, its net profits fell by 20 per cent in the months following the introduction of the package. Deposits fell by 12 per cent in real terms in the first half. However, it says its loan and currency trading portfolio grew by a third, in response to a sharp recovery in private sector demand for credit.

However, the banking industry's outlook for the rest of the year is grim. A government-induced recession is deepening and Brasilia is intent on forcing the financial system to spend $5bn in buying shares in state companies as part of an ambitious privatisation scheme.

Nabisco cuts deficit by 66% to $108m

By Martin Dickson in New York

RJR NABISCO, the food and tobacco group taken private last year in a record $25bn buy-out, yesterday announced a sharp improvement in second-quarter operating performance and a decline in its net losses.

The highly leveraged company, which last week put in place a complex refinancing package, reported a 66 per cent cut in its second-quarter net loss, to $108m from $319m a year ago.

The company said the loss figure reflected $444m in charges for non-cash interest payments relating mainly to the buy-out, and $308m of other non-cash charges, including amortisation of intangibles and depreciation.

Operating income before amortisation of trademarks and goodwill rose 29 per cent from $687m to $887m on sales 5 per cent higher at $3.46bn. Operating income was $735m, up 34 per cent.

Free cash flow before divestiture proceeds totalled $637m.

Mr Louis Gerstner, the chairman, said the figures reflected continued improvements in the company's tobacco and food businesses, with new product introductions remaining at a high level and margins continuing to improve across the board.

The tobacco arm had operating income before amortisation of trademarks and goodwill of $718m, up 36 per cent, on sales 6 per cent ahead at $2.02bn.

The company said domestic tobacco results improved because of better pricing and cost reductions from restructuring in the second half of 1989, while international operations continued to record strong sales and earnings, with significant volume growth in Europe and Asia.

The food side produced operating profits of $199m, compared with $192m in the same period of last year, on sales up 3 per cent at $1.44bn.

However, the results are not strictly comparable because of disposals since the 1989 figures.

Resources groups post mixed results

By Kenneth Gooding, Mining Correspondent

AMONG A clutch of natural resources groups reporting yesterday, Homestake Mining, the third-largest north American gold producer, revealed it made a $41.8m gain on the $125m sale completed last month of its 42.5 per cent stake in Doe Run, the largest US lead company, to Fluor Corporation.

Homestake also has taken a second-quarter charge of $11m to cover the closure in January of its uranium operations in New Mexico.

Net income for the second quarter was $37.3m, or 38 cents a share, against $20.9m or 22 cents. First-half net income was $50.5m against $28m or 51 cents a share up from 29 cents.

Homestake realised $366 a troy ounce on its gold sales in the second quarter compared with $383, while cash costs of producing a record 297,866 ounces, against 253,075, were $270 an ounce, against $255.

Inco, of Canada, the world's largest nickel producer, suffered from lower metal prices in the second quarter when it sold 125m lbs of nickel at an average of US$3.97 a lb compared with 133m lbs at $5.97 a lb in the same months last year.

However, a gain of $132.9m – $112.2m after tax or $1.08 a share – from the sale to the public of a 20 per cent interest in its Indonesian subsidiary, enabled Inco to report net second-quarter earnings up from $195.7m, or $1.84 a share, to $203.9m or $1.94.

Net earnings for the half-year were $271.6m, against $472m, or $2.58 a share compared with $4.44. Inco's nickel stocks at June 30 were 66m lbs against 50m lbs at end-March, but they are expected to fall in the third quarter because of holiday shut-downs.

Asarco, third largest US copper producer, reported second-quarter net earnings virtually unchanged at $50.2m, or $1.21 a share, compared with $50.8m or $1.20. Lower prices for copper and silver were offset by higher lead, zinc and gold prices.

In the second quarter, Asarco realised an average of $1.21 a lb for copper against $1.27 in the same months last year; 39 cents a lb for lead (30 cents); $5.07 a troy ounce for silver ($5.53); $395.70 a troy ounce for gold ($388.10) and 85 cents a lb for zinc (84 cents).

Asarco's net earnings for the half-year were $86m ($119.3m) or $2.07 a share ($2.83).

Mr Richard Osborne, chairman, said Asarco remained optimistic about the non-ferrous metals markets for the balance of this year and next.

Amax's second-quarter net earnings were hit by the slide in aluminium prices, which averaged 70 cents a lb in the quarter compared with 94 cents in the same months last year.

However, Mr Allen Born, chairman, said prices appeared to have bottomed out and "we are well-positioned for earnings improvement over the balance of this year and next."

Net earnings were $56.9m, or 65 cents a share, compared with $130.9m or $1.53 in the second quarter last year.

First-half net earnings were $106.9m, or $1.22 a share, against $245.1m and $2.87.

Exxon up strongly despite US downturn

By Roderick Oram in New York

EXXON, the world's largest integrated oil company, has reported stronger second-quarter results, with an upturn in foreign production and refining operations offsetting a downturn in the US.

Net profits for the three months ended June were $1.10bn, or 87 cents a share, against $990m or 78 cents a year earlier. A charge of $650m for the Alaskan oil spill and a $140m gain from an accountancy change made the final net $140m, or 11 cents, in last year's second quarter.

First-half net profits were $2.38bn, or $1.88, up from $2.30bn, or $1.79, a year earlier before the charges and $1.95bn, or $1.52, after them. Revenues increased by 10 per cent to $26.09bn from $23.61bn in the quarter and by 15 per cent to $52.8bn from $45.87bn in the first half.

The results were much in line with analysts' forecasts. Assuming there is no wide swing in crude oil prices for the rest of the year, earnings could turn out marginally higher than last year's $3.65 a share before special charges.

Exxon's worldwide production of crude oil and natural gas liquids slipped during the second quarter to 1.78m barrels a day from 1.72m. A drop in output to 627,000 barrels from 708,000 in the US and 256,000 from 292,000 in Canada was only partially offset by a rise in Europe to 333,000 from 319,000 and in the rest of the world to 459,000 from 419,000.

Second-quarter operating profits from exploration and production fell to $81m from $289m in the US but rose to $464m from $389m abroad. Profits from refining and marketing fell to $76m from $95m in the US but rose abroad from $357m to $498m, the highest level in a decade.

Profits from worldwide chemicals fell $174m from $289m, reflecting lower sales prices and higher feeding prices. Sales volume was down only slightly from record levels a year earlier. Coal and minerals earned $12m against $22m a year earlier.

Questions over truck deal

By Karen Zagor

RENAULT Vehicules Industriels, the commercial vehicles subsidiary of Renault of France which has offered $98.9m to take full control of Mack Trucks, said yesterday it had been asked to provide additional information on the bid from the antitrust division of the Department of Justice.

Shares in Mack have traded above the $6-a-share offered by Renault since the bid was launched earlier this month, reflecting market sentiment that the company will receive a higher offer. Yesterday Mack's stock price slipped $¼ to $7⅜ at midday in over-the-counter trading.

Navistar, one of the largest US makers of big trucks, has said it might make a higher bid for Mack if Renault would agree to sell its majority stake in the US truck maker.

A FRESH START

Royal PTT Nederland NV was founded on 1 January 1989, the result of the privatization of the State enterprise responsible for postal and telecommunications services in the Netherlands. The new private company provides a full range of national and international services for the transport of information and goods. The company aims to expand its business.

THE FIRST YEAR

In its first year of trading the company's performance came up to the expectations raised by privatization. The company had a satisfactory share of all the markets on which it operates, including sectors which saw increased competition.

Noticeable improvements were made to many aspects of services and the company is pushing ahead with plans for further advances in quality.

The company was successful in its first steps on the capital market.

Solid financial results enabled the company to increase its capital substantially after distribution of the dividend. The net profit margin was 11.5%.

The Management Board of Royal PTT Nederland NV expects a slight rise in turnover in 1990 and after-tax profits at least equal to those achieved in 1989. The level of investment will be roughly the same.

FURTHER

Growth is a precondition for long-term continuity. Due to the limited scope for development in the Netherlands the company aims to cultivate foreign markets.

RESULTS

A comparison with 1988 results is not possible due to the change of status from a State enterprise to a private company on 1 January 1989.

Net turnover	12,741 million guilders
Operating profit	2,783 million guilders
Profit after tax	1,460 million guilders
Dividend	570 million guilders
Net investments	3,467 million guilders
Group capital/total capital	37.1%

ptt nederland

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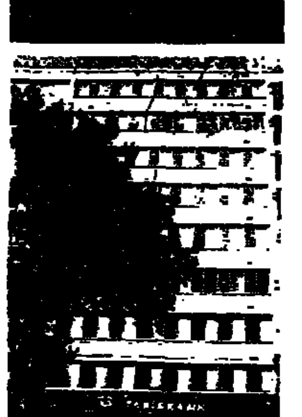

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INTERNATIONAL COMPANIES AND FINANCE

Merger mania grips Japan banks

Stefan Wagstyl hears a warning of turmoil of US S&L proportions

THREE small banks in rural Yamaguchi in western Japan this month announced plans to merge, in the latest of a wave of consolidation sweeping through Japan's small financial institutions.

About 30 small deposit-taking institutions have announced plans to merge since the new financial year started in April, compared with nine in the whole of last year. They are being driven together by the force of financial liberalisation. Under pressure from the US, the Japanese authorities are steadily removing the regulatory barriers that have since the Second World War protected small institutions from competition from big banks.

"The situation will be tough for us. That's the truth," says Mr Keitaro Kasahara, chairman of the National Association of Shinkin Banks, a small banks' organisation. "Liberalisation will come faster than we want. We expect many mergers."

A few weeks ago, five national associations of small financial institutions warned the Ministry of Finance that over-hasty deregulation could cause disorder on the scale seen in the US savings and loans crisis.

But turmoil could also bring great opportunities for some small institutions. Small banks lucky enough to be based in wealthy suburban areas are already being wooed by large securities companies, life assurers and other groups. By the end of the decade there may be far fewer small banks and credit unions in Japan but the survivors could be strong local competitors to the big national groups.

Mr Masakazu Toyama, executive director of Zenchu, the federation of farmers' co-operatives (Nokyo), says: "The next three years will be a most difficult time for Nokyo. But if Nokyo gets over this in 10 years it will be competing confidently with banks."

Small financial institutions are the ballast in the great ship of Japanese finance. They are mostly co-operatives controlled by their members, established after the war to collect savings from individuals and lend them out locally to small and medium-sized businesses.

To encourage private investment they were allowed by the Finance Ministry to pay depositors 0.1 percentage points more than commercial banks. But they rarely developed their lending operations enough to soak up the funds at their disposal. Until recently they had little incentive to boost profits or cut costs.

The biggest of these cash-rich banks are the 452 shinkin banks, or credit co-operatives, with Y69,288bn on deposit at the end of March. This compares with Y192,000bn at the top 13 "city" or commercial banks and Y130,000bn at the state-owned post office.

Below them are about 400 second-tier credit co-operatives, with deposits of some Y18,000bn. In the countryside, the dominant force are 3,600 Nokyo - diversified co-operatives which supply farmers with everything from fertiliser to life assurance, as well as credit. Together Nokyo have Y50,000bn in deposits, much of it placed with Norinchukin Bank, the farmers' national bank.

The small banks' difficulties have been growing over the past decade, as commercial banks and other large organisations have steadily won freedom to create new sources of revenue, particularly in the international arena. Small banks, which are governed by specially tight restrictions on the scope of their business, could not follow suit, even if they had the means to do so.

The industry's problems were masked for most of the 1980s, however, by the fact that the Finance Ministry protected them from the worst effects of interest rate deregulation. Interest rates in Japan have been deregulated from the top down - starting with large time deposits and working towards small ones.

But, under pressure from the US, the Finance Ministry is preparing to deregulate interest rates to the point at which small banks can no longer hide. The Bush Administration has demanded full interest-rate deregulation in one year. Under Mr Ryutaro Hashimoto, Minister of Finance, Japan is considering deregulating time-deposits by 1993, and other deposits later. Even the ministry's deadlines give the small banks and credit unions precious little time to adjust. Shinkin banks say they already pay market rates on 31 per cent of their deposits. Nokyo claims about the same. The last year has shown how

Ryutaro Hashimoto: to consider deregulation

vulnerable small banks can be. After operating for most of the 1980s in easy monetary conditions, they were squeezed hard by a sustained increase in interest rates. Their pre-tax profits in the year to March fell by 25 per cent, against 20 per cent for big city banks.

Sanwa Research Institute, an affiliate of Sanwa Bank, a leading commercial bank, calculated that full liberalisation of interest rates would have wiped out 17.8 per cent of the pre-tax profits of top commercial banks in the year 1988-89, at regional banks 56 per cent of the profits, and as much as 70 per cent of shinkin banks' profits. For small credit co-operatives and agricultural co-operatives the impact would be even worse.

However, all is not lost for the small banks. The Finance Ministry is unlikely to deregulate in a way which will wipe out the co-operatives, not least because of their political clout. Nokyo in particular have some powerful friends, even though their influence is no longer as strong as it used to be, as evidenced by the growing calls for the deregulation of the rice market.

Shinkin and small credit co-operatives also have influence because they are staunchly supported by town and village councils, each anxious to preserve the local bank.

The Japanese post office is also directly involved in the debate. With its 24,000 offices it is an important competitor to the co-operatives. But as a great beneficiary of the era of regulated interest rates, it is also an ally in the defence of the status quo. Last year it successfully forced the Finance Ministry to water down a controversial interest rate reform plan - and could have the power to do so again.

Moreover, small institutions have worked out their survival plans.

At the shinkin association, Mr Kasahara says his members can do three things:

- Increase revenue by raising loan interest rates and charges for fee-earning services such as fund transfers.
- Cut costs by automation and other means.
- Launch new services such as foreign exchange.

Zenchu's Mr Toyama has similar ideas. Both acknowledge that raising revenues will not be easy as deregulation will encourage more competition. Cost control is a more promising avenue.

Zenchu is well versed in the advantages of mergers - it has shrunk from 11,000 member co-operatives in 1961 to 3,600. By the year 2000, the total could fall to 1,000, says Mr Toyama.

Shinkin bank numbers have fallen only slightly in recent years. But they have reduced overheads by increasing greatly the numbers of branches, by 50 per cent in the last decade to 7,936, twice as many as the top commercial banks.

Developing new business depends greatly on the Finance Ministry, which controls entry into new fields. The ministry is currently considering a wide-ranging liberalisation of these rules, which control, among other things, the entry of banks into the securities market.

While the ministry's plans are not final, it has hinted that it intends to give favourable treatment to small banks. In particular, unlike big banks, small institutions (including regional banks as well as shinkin and co-operatives) will probably be allowed to enter new business areas directly without establishing costly separate subsidiaries. They will also be allowed to strike agency agreements with securities companies and other groups.

Indeed, Joyo Bank, based in Ibaraki north of Tokyo, has already reached agreements with Nikko Securities, Mitsubishi Trust and Banking, Nippon Fire and Marine, and Daihyaku Mutual Life. While Joyo is a regional bank, considerably larger than shinkin banks, ministry officials say many small institutions would be wise to follow Joyo.

Half of HK's former Bond tower for sale

By John Elliott in Hong Kong

ABOUT HALF of Hong Kong's 46-storey Bond Centre office development, which was made famous when it was owned by Mr Alan Bond, the struggling Australian entrepreneur, has been put on the market for a target price approaching HK$3.5bn (US$450m) by its Japanese owner because it, along with Mr Bond, needs cash.

EIE Development (International) is a Hong Kong quoted offshoot of the Tokyo-based EIE group, which is controlled by Mr Harunori Takahashi and which has had other links with Mr Bond.

It announced yesterday it was negotiating with buyers to sell all or part of the twin-tower development's 40-storey East Tower on a floor-by-floor basis. Other Japanese interests are believed to be among potential buyers at prices which if realised would yield substantial profits for EIE.

Mr Bond's Hong Kong company owned the complete development until it sold half to EIE in 1987 for HK$1.9bn. In May last year EIE bought the other 50 per cent for just under HK$2.26bn, a month before the Tiananmen Square crisis hit Hong Kong's property market.

Mr Nagy el-Azar, joint managing director of EIE Hong Kong, said: "The purpose of the proposed sale is to reduce external borrowings against the Bond Centre." The remainder of the building would be kept as a long-term investment. An extraordinary shareholders' meeting is being called to approve the deal.

"If our target selling prices are achieved and the entire East Tower is sold, the company would generate sufficient funds to repay substantially all the existing external debt secured against the Bond Centre, amounting to approximately HK$3.5bn."

The purchase was financed by an 8¼-year, HK$2.05bn loan organised for EIE in June last year by Wardley Capital, part of Hongkong and Shanghai Banking Corporation which is heavily exposed to the Bond empire.

EIE agreed that the name Bond would remain on the building until June 30, 1997, the night that Hong Kong reverts to Chinese sovereignty. But three months ago it was removed, officially to be replaced with the words Bond Centre – which have not been erected.

- Hotel Marco Polo of Singapore is making a one-for-one rights issue, raising S$231.1m (US$122.8m) to develop a shopping and office complex, AP-DJ reports.

The project on Orchard Road would still require S$370.1m in bank loans and internal funds, it added. The offer is priced at S$1.30. Wharf (Holdings), which holds 68.5 per cent of Marco Polo, will apply for its full entitlement.

Marco Polo made pre-tax profits of S$11.6m for the 15 months to March.

- Regal Hotels has agreed to pay Pallburg, its sister company, HK$515m for the 400-room Regal Plaza Hotel under construction in Hong Kong's Causeway Bay. Both are units of Mr Y.S. Lo's Century City group.

Elders Resources lifts bid for coal group

By Kevin Brown in Sydney

ELDERS Resources NZFP, the Australian minerals and forestry group, was yesterday forced to raise its bid for Oakbridge, a major Australian coal producer, after a counter-bid by a consortium of Australian and Japanese companies.

McIlwraith McEacharn, a transport and shipping group that is 46 per cent owned by TNT, the Australian transport conglomerate, said it was willing to pay 88 cents per share for Oakbridge in conjunction with Nippon Oil Australia and Toyo Menka Kaisha, a Japanese trading house. The bid values Oakbridge at just under A$300m (US$236m).

However, Elders Resources said it was already entitled to more than 85 per cent of Oakbridge shares following acceptances of its offer of 86 cents per share, which was launched in February.

Elders Resources initially said it was confident of reaching 90 per cent acceptances, the level at which it would be able to acquire the outstanding shares compulsorily.

Later, Elders Resources said it would lift its offer to 88 cents per share, rising to 90 cents if it reached the 90 per cent compulsory acquisition level.

The company said its shares in Oakbridge were not for sale. However, control of Elders Resources will shortly pass to Carter Holt Harvey, the New Zealand forest products group, which has agreed to buy 52.7 per cent of the company from Elders IXL, the Australian beer and foods producer.

Carter Holt has said it will dispose of all Elders Resources' non-forestry businesses, which would include Oakbridge if the Elders bid was successful.

McIlwraith, which owns 2.7 per cent of Oakbridge, is trying to re-enter the mining business following its disposal of the Cook coal mine in central Queensland, sold to Arco Australia last year for A$88m.

Mr Tony Lawrance, managing director of McIlwraith, said the consortium would have the expertise and financial strength to develop the five Oakbridge mines, which produce about 7.5m tonnes of coal per year.

He said McIlwraith intended to hold 27 per cent of Oakbridge; Toyo Menka Kaisha 25 per cent and Nippon Oil 23 per cent. The remaining 25 per cent would be offered for sale to the public.

The Japanese companies would require approval from Australia's Foreign Investment Review Board to take more than 14.9 per cent of Oakbridge, which is the second largest coal producer in New South Wales.

Asics downgrades profits forecast

ASICS, a Japanese sporting goods maker, has more than halved its estimate of pre-tax profit for the the year to January to Y2.6bn ($17.5m) from Y5.5bn.

Its sales forecast was unchanged at Y126bn. An official blamed the weak yen, increased production costs in South Korea and Taiwan, as well as rising advertising costs.

Singapore shipyard sets issue terms

SINGAPORE Shipbuilding & Engineering is making a public offer of 46m shares to raise S$55.2m (US$30.5m), AP-DJ reports from Kuala Lumpur.

Priced at S$1.20, the shares represent about 28.5 per cent of the company.

For the current year, the group expects turnover of about S$331.3m and net profit of S$10.99m.

SABRE IV LIMITED
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For the 6 months period 23rd July, 1990 to 23rd January, 1991 the Notes bear the interest rate of 8.375% per annum. US$4,280.56 will be payable from 23rd January, 1991 per US$100,000 principal amount of Notes.

Yamaichi International (Europe) Limited, Agent Bank

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CAPITAL NOTES 1993

Holders of the above Notes are advised that copies of the 129th Annual Report and Accounts 1990 of Bank of New Zealand for the year ended 31st March, 1990, are available from:-

Bank of New Zealand, Group Treasury, BNZ Centre, 1 Willis Street, Wellington, New Zealand.

Bank of New Zealand, Financial Services Division, BNZ House, 91 Gresham Street, London EC2V 7BL.

S.G. Warburg & Co. Ltd., Paying Agency, 2 Finsbury Avenue, London EC2M 2PA

24th July, 1990

FF BILLION
26.9 consolidated sales first half 1990

BSN RISES...

The BSN Group recorded consolidated sales of 26.9 billion French francs for the first half of 1990 compared with 23.2 billion French francs for the same period in 1989.

BREAKDOWN OF CONSOLIDATED SALES BY DIVISION:

(in millions of French francs)	1990	1989
Dairy Products	6,757	6,344
Grocery Products	5,239	5,039
Biscuits	6,424	4,183
Beer	3,629	3,284
Champagne, Mineral water	2,469	2,039
Containers	3,099	2,857
	27,617	23,746
Intra Group sales	(664)	(562)
Total Group	26,953	23,184

The 1990 figures of the Biscuits Division include the sales of the companies which have been acquired in June 1989 i.e. Belin (France), Jacob's (U.K.) and Saiwa (Italy).

On a comparable basis and unchanged exchange rates, the evolution of the Divisions' sales is as follows:

Dairy Products	9.9 %
Grocery Products	5.9 %
Biscuits	2.8 %
Beer	6.9 %
Champagne, Mineral water	21.2 %
Containers	7.0 %
Total Group	7.4 %

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VOLKSWAGEN AG
Wolfsburg

Payment of Dividend

Notice is hereby given to shareholders that following a resolution passed at the Annual General Meeting of shareholders held on 19th July, 1990 a dividend for the financial year ended 31st December, 1989 will be paid, as from 20th July, 1990, at the rate of DM11.00 per ordinary share of DM 50 nominal value against presentation of coupon No. 29 and DM12.00 per preferred share of DM50 nominal value against presentation of coupon No. 4.

All payments will be subject to a deduction of German tax at a rate of 25 per cent. and, in the absence of evidence as to the recipient's non-residence in the United Kingdom, a further deduction of United Kingdom income tax at a rate of 10 per cent.

Coupons should be lodged with:—

S.G. Warburg & Co. Ltd.
Paying Agency, 2 Finsbury Avenue, London EC2M 2PA

from whom appropriate claim forms can be obtained.

Coupons will be paid at the rate of exchange on the day of presentation.

Under certain conditions, shareholders residing in the United Kingdom can claim a partial refund of the deducted German tax in accordance with the double taxation treaty between the United Kingdom and Germany. The German tax chargeable in accordance with that treaty is treated as a credit and can be set against the income tax liability of a shareholder resident in the United Kingdom. The Company's United Kingdom paying agent will, upon request, provide shareholders or their agents with the appropriate form to enable a refund request to be made to the German taxation authorities.

Wolfsburg, July 1990

The Board of Management

CARPS II Limited
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U.S. $80,000,000

Secured Floating Rate Notes due 1992

For the period 23rd July, 1990 to 22nd January, 1991 the Notes will carry an interest rate of 8.3375% per annum with a coupon amount of U.S. $4,238.23 per U.S. $100,000 Note payable on 22nd January, 1991.

Bankers Trust Company, London

Agent Bank

INTERNATIONAL CAPITAL MARKETS

Treasuries slump on fears over Japanese interest rates

By Janet Bush in New York and Andrew Freeman in London

US Treasury bonds had a highly volatile session yesterday, starting lower because of concerns about firmer Japanese interest rates, then surging as the stock market went into free-fall before slumping again.

By late trading, the benchmark long bond was quoted ¼ point lower at 8.55 per cent with short-dated maturities around ⅛ point lower. The long bond had started out around ⅜ point lower but then jumped to stand a full point higher as the Dow Jones Industrial Average slumped by more than 100 points. The Dow later recovered half its losses but the bond market ended near its lows for the day.

The mood of the bond market at the start of trading was negative, amid concerns over whether the US Federal Reserve is willing to see higher inflation in order to keep the economy growing and a rise in Japanese yields overnight. Then, prices jumped as investors sought refuge from the equities in the relatively safe fixed income markets.

The performance of the bond market this week is likely to depend a great deal on whether the equity market drops further or stabilises. If it were not for gyrations in the equity market, the bond market was likely to make heavy weather of it. Not only are there concerns about inflation, Fed policy and interest rates overseas but this week also sees new supply to absorb.

Demand for this week's issues may well have been undermined by the sharp narrowing in the interest rate spread against Japanese bonds which fell yesterday to under 100 basis points. Auctions this week include $11.5bn in two-year notes tomorrow and $10.5bn in one-year bills on Thursday.

■ Investors reacted to the sharp fall on Wall Street by aggressively chasing German and UK government stock.

In Germany, the US troubles came as a welcome relief following a correction that sent prices down by around 80 pfennigs before a rally ensued. Dealers said the early falls were set off by the perception that yield levels were unsustainable and by talk of a new issue of Bunds, but prices recovered to their opening levels before moving lower again.

Trading was led by the futures market where the September contract was nearly 80 pfennigs below its opening level of 85.40 before the afternoon rally began. In busy trading (nearly 60,000 contracts were posted), the future closed around 85.00, with dealers commenting that volatility had been reminiscent of pre-monetary union days.

The benchmark 8¾ per cent Bund issue maturing in May 2000 reflected the volatility on the futures market, moving from a 30 pfennig fall to 102 at the morning fixing to 101.55 in mid-session and then recovering to close around 102.05, yielding 8.41 per cent. Volume on the cash market was described as low.

■ In the UK, a dull reception to the week's only significant economic data appeared to have set a somnolent tone, only for Wall Street to exert its pressure and send gilts prices sharply higher.

The June trade figures were closely in line with the market's expectations and elicited barely a murmur, with only a little profit-taking reported. But spice came from the US Treasury market and as the gilt futures reacted favourably, cash prices improved.

The benchmark 11¾ per cent gilt maturing 2003-07 was trading towards the close at 102⅛, a gain of ⅝ point on the day. At the shorter end of the maturity curve, prices were also higher, with selected issues improving by up to ¼ point.

● The Bank of England announced that its offer to convert the 8¾ per cent Treasury loan stock into the 9 per cent conversion stock issue had been 77 per cent taken up, leaving £272m outstanding. The 9 per cent issue now totals £2.45bn.

● The second phase of privatisation of the Banco Totta e Acores (BTA) with the sale of 31 per cent of the bank's share capital was more than twice subscribed, according to initial results. During last week's flotation of 7.75m shares, orders were placed for more than 18m shares. The results of the flotation will not be made public until July 31.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	94-29	+10/32	12.36	12.36	12.36
		10.000	2/99	93-17	+10/32	11.88	11.87	11.80
		9.000	10/08	85-26	+20/32	10.78	10.77	10.72
US TREASURY *		8.875	05/00	102-15	-02/32	8.50	8.45	8.52
		8.750	05/20	102-01	-07/32	8.56	8.48	8.50
JAPAN	No 119	4.800	6/99	85.9419	-0.113	7.42	7.18	7.15
	No 2	5.700	3/07	89.6211	-0.378	7.05	6.88	6.70
GERMANY		7.750	02/00	95.7600	-	8.39	8.47	8.81
FRANCE	BTAN	9.000	02/95	96.7622	-0.138	9.88	9.92	10.05
	OAT	8.500	03/00	93.5700	-0.060	9.53	9.59	9.66
CANADA *		9.750	05/00	94.4000	-0.250	10.68	10.72	10.97
NETHERLANDS		9.000	05/00	102.0500	-0.200	8.67	8.68	8.94
AUSTRALIA		12.000	7/99	94.1305	+0.050	13.13	13.21	13.60

London closing, *denotes New York closing session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

BUE lifts stake in Paris broker

LA Banque de l'Union Europeenne (BUE) has increased its stake in Paris brokers Magnin to 100 per cent from 75 pct, Reuter reports from Paris.

BUE said it would gradually take full control when it took its initial 30 per cent stake in Magnin in January 1988. It raised its shareholding to 75 per cent in January 1989.

No price was disclosed for the latest stake, which BUE acquired from Magnin's executives.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on July 23

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
[illegible]				

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Prem.
[illegible]					

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month) above mean rate for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday July 23, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.4880	33.4738	36.6913
Albania	(Lek)	10.1071	5.5487	3.4088	3.7364
Algeria	(Dinar)	15.4124	8.4613	5.1981	5.6977
Andorra	(Fr Fr)	9.9450	5.4597	3.3541	3.6765
	(Sp Peseta)	181.45	99.6157	61.1973	67.0794
Angola	(Kwanza)	54.4120u	29.9180	18.3014	20.1153
Antigua	(E Carr $)	4.9126	2.6970	1.6568	1.8161
Argentina	(Austral)	9609.45	5275.5695	3240.9612	3552.6768
Aruba	(Florin)	3.2567	1.7880	1.0984	1.2040
Australia	(Aus $)	2.3230	1.2753	0.7834	0.8587
Austria	(Schilling)	20.855	11.4493	7.0337	7.7097
Azores	(Port Escudo)	258.60	141.9709	87.2175	95.6007
[illegible]					
Falkland Is	(Falk £)	1.00	0.5489	0.3372	0.3696
Faroe Is	(Danish Kroner)	11.2925	6.1995	3.8086	4.1746
Fiji Is	(Fiji $)	2.6990	1.4817	0.9102	0.9977
Finland	(Markka)	6.9505	3.8158	2.3441	2.5695
France	(Fr)	9.9450	5.4597	3.3541	3.6765
Fr Cty/Africa	(CFA Fr)	497.25	272.9892	167.7065	183.8262
Fr Guiana	(Local Fr)	9.9450	5.4597	3.3541	3.6765
Fr. Pacific Is	(CFP Fr)	180.00	98.8196	60.7082	66.5434

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Gabon	(CFA Fr)	497.25	272.9892	167.7065	183.8262
Gambia	(Dalasi)	15.1646	8.3253	5.1145	5.6061
Germany East	(DMark)	2.9650	1.6277	1	1.0961
Germany West	(DMark)	2.9650	1.6277	1	1.0961
Ghana	(Cedi)	597.250	327.8891	201.4333	220.7948
Gibraltar	(Gib £)	1.00	0.5489	0.3372	0.3696
Greece	(Drachma)	291.07	159.7968	98.1686	107.6044
Greenland	(Danish Krone)	11.2925	6.1995	3.8086	4.1746
Grenada	(E Carr $)	4.9126	2.6970	1.6568	1.8161
Guadaloupe	(Local Fr)	9.9450	5.4597	3.3541	3.6765
Guam	(US $)	1.8215	1	0.6143	0.6733
Guatemala	(Quetzal)	8.1564	4.4778	2.7508	3.0153
[illegible]					
Namibia	(S A Rand)	4.7585	2.6124	1.6048	1.7591
Nauru Is	(Australian $)	2.3230	1.2753	0.7834	0.8587
Nepal	(Nepalese Rupee)	53.0347	29.1159	17.8869	19.6061
Netherlands	(Guilder)	3.3400	1.8336	1.1264	1.2347
N'nd Antilles	(A/Guilder)	3.2569u	1.7900	1.0984	1.2040
New Zealand	(NZ $)	3.0563	1.6779	1.0307	1.1298
Nicaragua	(Cordoba)	697050.0	382679.111	235092.749	257689.464
Niger Rep	(CFA Fr)	497.25	272.9892	167.7065	183.8262
Nigeria	(Naira)	14.3558	7.8813	4.8417	5.3071
Norway	(Nor. Krone)	11.4150	6.2668	3.8499	4.2199
Oman	(Rial Omani)	0.7008	0.3847	0.2363	0.2590

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	38.80	21.3011	13.0860	14.3438
Panama	(Balboa)	1.8215	1	0.6143	0.6733
Papua New Guinea	(Kina)	1.7440	0.9574	0.5881	0.6447
Paraguay	(Guarani)	2160.12	1185.9017	728.5996	798.5656
Peru	(Intl)	70680.95	38803.7057	23838.4317	26129.7412
Philippines	(Peso)	41.00	22.5089	13.8279	15.1571
Pitcairn Is	(£ Sterling)	1.00	0.5489	0.3372	0.3696
	(NZ $)	3.0563	1.6779	1.0307	1.1298
Poland	(Zloty)	17133.00	9405.9840	5778.4148	6333.8262
Portugal	(Escudo)	258.60	141.9709	87.2175	95.6007
Puerto Rico	(US $)	1.8215	1	0.6143	0.6733
[illegible]					
Virgin Is-British	(US $)	1.8215	1	0.6143	0.6733
Virgin Is-US	(US $)	1.8215	1	0.6143	0.6733
Western Samoa	(Tala)	4.2953	2.3581	1.4486	1.5879
Yemen	(Rial)	21.834	11.9868	7.3639	8.0717
Yemen PDR	(Dinar)	0.8397u	0.4610	0.2832	0.3104
Yugoslavia	(Dinar)	20.9783	11.5170	7.0753	7.7553
Zaire Rep	(Zaire)	1058.62	581.1803	357.0387	391.3567
Zambia	(Kwacha)	71.30	39.1435	24.0472	26.3585
Zimbabwe	($)	4.4725	2.4553	1.5084	1.6534

Special Drawing Rights July 20, 1990 United Kingdom £0.740726 United States $1.34464 Germany West D Mark 2.20723 Japan Yen199.141 European Currency Unit Rates July 23, 1990 United Kingdom £0.694899 United States $1.26402 Germany West D Mark 2.06984 Japan Yen188.213

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate, (l) Luxury goods; (m) Market rate, (o) Official rate, (p) preferential rate, (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5. Monday July 23, 1990

TRADE INDEMNITY PLC 071-739 4311
MULTI-MARKET POLICY. Simplified credit protection against increasing risks in EEC and OECD countries.

OMRON TATEISI ELECTRONICS CO.

Advice has been received from Tokyo that payment of a Cash Dividend of Yen 6.50 per share has been made for the six months period ending 31st March 1990.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to $0.2175 per Depositary share before deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupons.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to deduction of Japanese Withholding Tax at the reduced rate of 15% will receive a net dividend of $0.1848 per Depositary share after deduction of Withholding Tax amounting to $0.0326.

Australia, Belgium, Canada, Denmark, Finland, France, The Federal Republic of Germany, Italy, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, The United States of America.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are subject to deduction of Japanese Withholding Tax at the full rate of 20% will receive a net dividend of $0.174 per Depositary share, after deduction of Withholding Tax amounting to $0.0435.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax at the reduced rate of 12% will receive a net dividend of $0.1914 per Depositary share after deduction of Withholding Tax amounting to $0.0261.

TO OBTAIN PAYMENT UNDER DEDUCTION OF JAPANESE WITHHOLDING TAX AT A REDUCED RATE, THE COUPONS MUST BE ACCOMPANIED BY AN AFFIDAVIT OF RESIDENCE APPROVED BY THE JAPANESE MINISTRY OF FINANCE. FORMS OF AFFIDAVIT ARE AVAILABLE AT ANY OF THE OFFICES LISTED BELOW, IN THE ABSENCE OF SUCH AFFIDAVIT COUPONS WILL BE PAID UNDER DEDUCTION OF WITHHOLDING TAX AT THE FULL RATE OF 20%.

Attention is drawn to the fact that the aforementioned concessions relating to Japanese Withholding Tax apply only to coupons presented for payment within five months of the record date i.e. 31st March 1990. Thereafter, tax will be deducted at the full rate of 20%, and it will be the responsibility of the owner to claim from the Japanese Tax Authorities any refund to which he is entitled.

HOLDERS OF BEARER DEPOSITARY RECEIPTS (B.D.R.'s) wishing to claim this dividend should present Coupon No. 55 at the Offices of any of the following:–

Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX. (Where lodgement forms are available).
Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royale, Luxembourg.
Bank of Tokyo Limited, 4-8 Rue Sainte-Anne, Paris 1, France.
Bank of Tokyo Limited, Immermannstrasse 43, 4000, Dusseldorf 1, Federal Republic of Germany.
Bank of Tokyo Limited, Avenue des Arts 47-49, 1040, Brussels, Belgium.
Bank of Tokyo Limited, Sutherland House, 3 Chater Road, Hong Kong.
Bank of Tokyo Trust Co, 100 Broadway, New York, U.S.A.

In the case of Coupons presented for payment in London, United Kingdom Tax will be deducted from the proceeds unless accompanied by an Inland Revenue Affidavit of Non-Residence.

Hill Samuel Bank Limited,
45 Beech Street,
London EC2P 2LX.

Bank of Greece
US$150,000,000
Floating rate notes
due 1994

Notice is hereby given that the Rate of Interest relating to the above issue has been fixed at 8 ⁷⁄₁₆ per cent for period 24 July, 1990 to 24 October, 1990. Total interest payable on 24 October, 1990 per US$10,000 Note will be US$443.12 and per US$250,000 Note will be US$11,078.12.

Agent: Morgan Guaranty Trust Company

JP Morgan

This announcement appears as a matter of record only.

ROUGE STEEL COMPANY

$180,000,000
Project Financing

The undersigned structured, arranged and underwrote the Project Financing and acted as financial advisor to Rouge Steel Company.
The Chase Manhattan Bank, N.A.

Funds provided by

The Chase Manhattan Bank, N.A.
Österreichische Länderbank, A.G.
Westpac Banking Corporation
NMB Postbank Groep N.V.
Manufacturers National Bank of Detroit
National City Bank
The Nippon Credit Bank, Ltd.
The Tokai Bank, Limited

Co-Agents

The Chase Manhattan Bank, N.A.
Österreichische Länderbank, A.G.
June 1990

CHASE

INTERNATIONAL CAPITAL MARKETS

First Euroyen fixed-price re-offer launched by NIB

By Tracy Corrigan

THE NORDIC Investment Bank brought a Y30bn issue of 7¼ per cent five-year Eurobonds, the first in that sector to be structured as a fixed price re-offering. Nomura International, the lead manager, has been keen to introduce the system to the Euroyen sector for some time.

INTERNATIONAL BONDS

The bonds, which yield 7.25 per cent, were considered aggressively priced in view of the market's bearish tone. Many investors were said to be waiting for the issue to break syndicate this morning to take the bonds at a higher yield.

The NIB bonds offer a pick up over the World Bank's 7¼ per cent five-year bonds yielding 7.08 per cent and Denmark's 7 per cent five-year bonds yielding 7.26 per cent.

But high short-term interest rates have stifled demand for yen bonds. With three-month certificates of deposits at 7.70 per cent, bond yields will have to rise further to entice investors, many dealers say.

But according to lead manager Nomura International, there is still a reasonable level of European demand for Euroyen bonds, which look expensive compared with the Japanese government bond market. With a rise in the long-term prime rate already discounted by the bond market, yields, currently at highs, could be peaking.

General Electric Capital Corporation brought two issues, both of which suffered from a lack of enthusiasm from the retail investors targetted..

GECC's DM150M issue of seven-year bonds has a fixed coupon of 9¾ per cent for the first two years, then pay six-month Libor minus 15¾ per cent. The structure produced sterling floating-rate funds at an attractive rate for GECC.

However, German retail investors still have little appetite for US corporate names, dealers said, and there was little sign that the German banks would pump the paper round their retail networks. The deal was bid outside 1¼ point fees at less 1.35. GECC's SFr125m issue of 6¾ per cent bonds was considered rather tightly priced and suffered from the absence of retail investors due to the holiday season. The deal languished outside its 1⅝ fees at less 1¾ bid.

Elsewhere, Credit Local de France launched a FFr1bn issue of 10 per cent five-year bonds via Société Generale, into a rather over-supplied market.

Declines in the Japanese stock market have not affected plans to launch four more Japanese equity-linked Eurobonds this week, syndicate sources said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
YEN						
Nordic Investment Bank(d)◆	30bn	7¼	100	1995	25/15bp	Nomura Int.
Nissan Capital of America(a)◆	10bn	7½	101¼	1993	1⅛/⅞	Yamaichi Int. (Europe)
Skopbank(b)◆	10bn	7½	101⅜	1993	1⅝/⅞	Nippon Credit Int.
FRENCH FRANCS						
Credit Local de France(b)◆	1bn	10	101.72	1995	1⅞/1¼	Societe Generale
D-MARKS						
General Elec.Capital Corp(c)◆	150	(c)	101¼	1997	1¼/⅞	Merrill Lynch Bank
SWISS FRANCS						
General Elec.Capital Corp(b)◆	125	6¾	101⅜	1995	1⅝	Wirtschafts-und Privatbk

◆Final terms. a) Short first coupon pays ⅛ over 3-month Libor, then 7½% fixed thereafter. b) Non-callable. c) Coupon first two years pays 9¾%, then 15¾% minus 6-month Libor thereafter. Non-callable. d) Fixed re-offer price par. Non-callable.

BFCE increases capital by FFr1.1bn

By William Dawkins in Paris

BANQUE Française du Commerce Extérieur (BFCE), the trade finance bank, is to receive a FFr1.1bn capital increase to complete the restructuring plan agreed by its shareholders three months ago.

The bank was forced earlier this year to boost its provisions for sovereign debt risks because its unusual status, half way between the public and private sectors, had left it heavily under-provisioned.

Assurances Générales de France, the state-owned insurance group, offered to come in as the main shareholder on condition that existing investors first pumped in enough cash to lift BFCE's bad debt cover to normal levels and to bring the bank's prudential ratios in line with the requirements of the Bank for International Settlements.

Accordingly BFCE's shareholders, the main French commercial banks, earlier this month came up with FFr1.4bn of new capital, allowing the bank to nearly double its debt cover to 50 per cent of exposure.

BFCE is now going ahead with the second stage of the restructuring plan, a FFr1.1bn capital increase from the existing shareholders, bringing total shareholders' capital to FFr2.1bn.

AGF will by the end of the year fulfil its earlier promise to step in as the main shareholder and buy out 43 per cent of BFCE's equity in exchange for its own shares.

Another 24 per cent will be held by Crédit Lyonnais, the state-controlled bank, with the rest owned by a mixture of state and private banks.

HEAF in talks over loan guarantor

By Martin Dickson in New York

The Higher Education Assistance Foundation (HEAF), a large loan guarantor for the Student Loan Marketing Association, is discussing an affiliation with another loan guarantor.

The announcement, which triggered fears for the financial health of HEAF, was a significant factor behind the sharp fall in share prices on Wall Street.

HEAF, which guarantees about $10bn in student loans, would not comment on press reports that it could face bankruptcy without a merger.

However, if the concern is in difficulties, this could pose problems for its creditors and the banks whose loans to students it guarantees.

One of its largest creditors is the Student Loan Marketing Association, or Sallie Mae, one of the biggest holders of student loans, which extended a $865m credit line to HEAF late last year.

However, a spokeswoman for Sallie Mae said: "We ultimately expect this situation to be resolved so there is virtually no cost to Sallie Mae."

HEAF is one of about 50 agencies which guarantee loans to students advanced by banks.

When students default, the banks make claims to the agencies which in turn make claims to the Education Department.

However, under certain circumstances, the agencies do not qualify for full reimbursment from the Government.

A spokeswoman for HEAF said talks about a link-up had been held with the Nebraska Student Loan Programme.

However, a spokeswoman at the Nebraska agency said discussions with Heaf had ended last Friday because the Department of Education did not approve a transfer agreement between the two parties.

However, the department had indicated it was monitoring the situation and was developing its own plan, the spokeswoman added.

Greece acts to defuse loans row

By Andrew Freeman

A ROW which broke out in the syndicated loans market last week was still simmering yesterday, despite intervention by the Bank of Greece to defuse the tension.

The problem arose over a $200m syndicated loan for Hellenic Aspropyrgos Refinery which was due to be launched after the completion of a $150m facility for Public Power Corporation, the Greek state electricity utility.

However, the two deals ran into conflict when Sumitomo Bank, *arranger of the PPC* deal, was unable to place more than a small portion of the loan and requested extra time to arouse interest among banks. The PPC loan was launched in early July after a bidding contest.

It was alleged that syndication of the Hellenic Refinery deal was started before the mandate had been officially confirmed by the Bank of Greece, a charge denied by Mitsubishi Bank which had been given the role of arranger. The newer deal had more generous pricing than PPC, apparently prompting some banks to bypass the PPC loan.

Whether or not the Hellenic Refinery deal was marketed prematurely, Sumitomo asked the Bank of Greece to postpone the loan, a six-year maturity refinancing which had no particular urgency. The Bank agreed and gave Sumitomo an extra week to place PPC.

A Sumitomo official said the deal had always been a challenge, but that the Refinery episode had probably frightened some potential investors away. It is thought only around $25m of the $150m PPC deal has so far been sold.

The downgrading last week of Greece's credit rating by Standard & Poor's did not help matters, although bankers said the loans market pays less attention to ratings than the bond market. But, it is likely the Bank of Greece's decision to postpone the Hellenic Refinery deal was partly influenced by the downgrading.

Australia downgrades foreign banks' debt

By Kevin Brown in Sydney

THE long-term debt ratings of three foreign banks were downgraded yesterday by Australian Ratings, the local ratings agency, which said it was concerned about the deteriorating quality of the banks' corporate loan portfolios.

The agency downgraded Standard Chartered Bank Australia's long-term debt from A minus to BBB plus; Hongkong Bank Australia from AA to A; and Chase AMP Bank from A plus to A. Ratings for Citibank Australia were reaffirmed at AA for long-term debt and A1 plus for short-term debt.

The three downgraded banks each said they remained committed to operating in Australia and said the strength of their parent companies was more important than local difficulties.

However, the downgradings will add strength to the view being expressed by many bankers that the Australian market cannot support all 16 foreign banks given licences in 1983-84 as well as an expanding domestic banking sector.

Australian Ratings said Chase AMP Bank, a joint venture between Chase Manhattan Bank and Australia's AMP Society, had been hit by the high cost of establishing a retail banking operation, and its capital base had been affected by a net loss of A$29.9m last year.

The agency said the bank also retained an exposure of A$70m to Mr Christopher Skase's failed Qintex Corporation, for which no provision had been made.

Hongkong Bank, a subsidiary of the Hongkong and Shanghai Banking Corporation, was increasingly reliant on its parent, and had received A$207.8m in equity and debt injections, Australian Ratings said. It was expected to report a loss for 1989-90 after a net loss of A$81.6m in the previous year.

Australian ratings said Standard Chartered, a subsidiary of Standard Chartered of the UK, was likely to report a loss this year following a net loss of A$54.2m, after provisions of A$84.1m.

However, the bank had "limited opportunities" to redress its earnings profile.

Mr Elrvin Knox, managing director of Standard Chartered Australia, said he was disappointed with the report, but the re-rating would be "aesthetic rather than material."

Mr Knox said the recent sale of Standard Chartered Australia's finance subsidiary to Westpac Banking Corporation, one of the big four Australian trading banks, had effectively halved the bank's borrowing requirements.

Mr Richard Orgill, managing director of Hongkong Bank Australia, said the strength of the bank's parent was more important than the historical performance of the Australian operations.

"We are taking a positive view, and the Hongkong Bank is here to stay," Mr Orgill said.

Mr Lynn Anderson, managing director of Chase AMP Bank, said the downgrading was "disappointing, but not unexpected."

He said it was important to see the agency's action in the light of the downgrading of corporate Australia as a whole.

Taiwan to step up purge on stockbroking industry

By Peter Wickenden in Taipei

MR Wang Chien-Shien, the Taiwanese Finance Minister, warned yesterday he was intensifying a campaign to bring order to stock-market dealings and clean up the stockbroking industry.

His remarks followed the closure by the Taiwan Stock Exchange of yet another securities broker at the weekend. The broker, Ting Hao Securities based in Kaohsiung, is accused of disposing of client's shares without their consent. Shang Yuan Securities in Taipei, which has failed to account for NT$83m worth of mortgaged bank certificates of deposit, voluntarily closed yesterday.

Taiwan's securities industry has grown from about a dozen brokers to more than 350 in the last two years. Mr Wang said the authorities had discovered several illegal activities by brokerage houses.

"The crackdown on illegal brokers is my top priority, and I don't care how many of them will close if they operate against the rules," he was quoted as saying.

One foreign securities company yesterday predicted two or three months of chaos as more local brokers folded or began merging. It said too many houses had got too deeply involved in trading on their own account and in grey-market margin lending.

Since hitting a peak in February the Taiwan stock market has fallen 60 per cent. Analysts believe more than 80 per cent of brokers have offered margin loans illegally in collaboration with local credit co-operatives or underground finance houses.

Currently only the ruling Kuomintang Party's Fu Hwa Securities is allowed by law to offer securities financing. But the Securities and Exchange Commission said on Friday the business would be opened to all brokers with a capitalisation of more than NT$2bn and at least two years of operating experience. They will be able to borrow from Fu Hwa or from banks.

The legalisation of margin lending is one of several official measures aimed at stabilising the stock market and opening it further to international participation. The SEC is now sounding out the opinions of other government departments on a proposal to allow participation by foreign institutional investors. The door may be opened by the end of this year, but foreign participation will probably be limited.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section

	Monday July 23 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Jul 20 Index No.	Thu Jul 19 Index No.	Wed Jul 18 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (194)	878.24	-1.4	13.16	5.28	9.28	23.04	890.26	890.42	895.55	981.51
2 Building Materials (26)	1113.30	-1.2	13.72	5.41	9.00	30.01	1128.68	1126.79	1128.85	1210.97
3 Contracting, Construction (36)	1420.52	-1.7	16.87	5.79	7.71	35.78	1444.49	1452.81	1461.53	1614.88
4 Electricals (10)	2435.71	-0.6	11.78	5.47	10.44	61.43	2449.58	2449.00	2470.73	2934.42
5 Electronics (26)	1826.00	-1.3	10.31	4.39	12.63	51.42	1853.83	1838.37	1834.89	2247.18
6 Engineering-Aerospace (8)	468.79	-1.3	13.85	5.02	8.60	10.79	475.16	479.06	483.86	0.00
7 Engineering-General (46)	490.34	+0.1	12.04	5.22	10.05	11.34	489.86	491.62	491.25	0.00
8 Metals and Metal Forming (6)	490.30	-2.1	23.53	6.85	5.17	16.68	496.50	493.69	494.54	527.21
9 Motors (13)	349.86	-1.5	16.13	6.68	7.21	9.81	355.35	357.74	361.20	341.92
10 Other Industrial Materials (23)	1581.41	-1.9	11.01	5.04	10.48	39.22	1612.02	1615.47	1640.16	1673.46
21 CONSUMER GROUP (179)	1312.01	-1.3	9.25	3.85	13.35	24.06	1329.25	1323.59	1332.00	1290.68
22 Brewers and Distillers (22)	1638.47	-0.7	9.30	3.56	12.92	25.61	1650.55	1638.06	1642.45	1422.62
25 Food Manufacturing (20)	1098.83	-1.2	10.35	4.31	11.97	23.19	1111.79	1119.71	1125.15	1188.90
26 Food Retailing (16)	2578.98	-1.1	8.81	3.19	14.53	40.59	2608.92	2592.78	2614.73	2464.49
27 Health and Household (15)	2574.46	-1.4	7.13	2.69	17.69	25.21	2623.70	2607.39	2636.85	2291.66
29 Leisure (33)	1442.95	-1.3	10.05	4.29	12.13	34.00	1461.42	1455.07	1462.31	1709.54
31 Packaging & Paper (12)	609.31	-1.4	10.93	3.65	11.26	12.94	617.57	619.24	621.64	595.87
32 Publishing & Printing (16)	3537.09	-1.6	10.17	5.22	12.28	105.00	3593.16	3603.94	3613.53	3649.88
34 Stores (34)	816.35	-1.4	10.84	4.62	11.95	16.49	827.73	822.65	824.54	855.83
35 Textiles (11)	489.21	-0.9	12.59	7.35	10.03	18.26	493.46	491.65	493.99	551.38
40 OTHER GROUPS (107)	1174.52	-2.0	11.09	5.05	10.87	25.61	1198.08	1199.25	1199.36	1175.03
41 Agencies (17)	1664.24	-2.2	6.06	2.30	19.96	15.86	1702.38	1686.61	1698.89	1416.74
42 Chemicals (23)	1283.94	-2.0	10.95	5.17	10.68	31.96	1296.45	1287.60	1295.88	1303.05
43 Conglomerates (15)	1628.05	-2.3	10.48	6.14	11.47	39.95	1666.78	1659.53	1662.56	1672.16
44 Transport (13)	2329.49	-1.2	10.56	4.45	12.02	49.33	2358.96	2349.02	2344.99	2443.15
46 Telephone Networks (2)	1187.63	-3.4	11.29	4.74	11.52	26.09	1229.36	1237.43	1240.89	1075.60
47 Water (10)	1915.60	+0.2	16.75	7.07	6.68	62.12	1911.97	1892.18	1908.94	0.00
48 Miscellaneous (27)	1790.05	-1.6	12.33	5.01	9.23	41.95	1819.63	1818.45	1823.21	2032.74
49 INDUSTRIAL GROUP (480)	1172.55	-1.5	10.76	4.57	11.35	24.98	1190.64	1187.45	1193.83	1197.82
51 Oil & Gas (20)	2370.11	-1.1	12.40	5.21	10.57	60.49	2396.06	2347.01	2358.91	2168.83
59 500 SHARE INDEX (500)	1272.58	-1.5	10.99	4.66	11.23	27.88	1291.41	1284.73	1291.50	1280.16
61 FINANCIAL GROUP (108)	802.13	-1.3	-	5.71	-	21.40	812.70	814.32	820.36	770.38
62 Banks (9)	855.26	-1.6	19.15	6.31	6.84	25.62	869.49	875.03	883.89	750.34
65 Insurance (Life) (7)	1489.85	-1.6	-	4.95	-	36.94	1513.45	1491.90	1501.24	1165.31
66 Insurance (Composite) (6)	679.49	-1.6	-	6.09	-	19.43	690.43	696.86	707.02	610.27
67 Insurance (Brokers) (8)	943.38	-0.8	9.13	6.82	14.44	32.95	951.04	954.93	961.89	971.25
68 Merchant Banks (7)	440.17	-0.8	-	4.61	-	10.76	443.85	443.22	443.08	366.49
69 Property (47)	1093.74	-0.4	8.02	4.32	16.02	19.93	1097.72	1097.02	1096.35	1362.34
70 Other Financial (24)	289.46	-1.0	31.54	6.76	12.90	8.95	292.30	291.39	290.89	378.77
71 Investment Trusts (66)	1212.22	-1.5	-	3.18	-	18.16	1230.83	1232.29	1233.50	1202.28
91 Overseas Traders (5)	1448.28	-2.2	9.72	6.31	12.28	59.65	1480.87	1471.77	1459.35	1408.49
99 ALL-SHARE INDEX (679)	1159.41	-1.4	-	4.78	-	26.13	1176.37	1171.71	1177.97	1155.26

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Year ago
FT-SE 100 SHARE INDEX◆	2359.7	-40.4	2406.3	2392.5	2400.1	2387.3	2402.0	2415.0	2406.5	2259.1

FIXED INTEREST

PRICE INDICES	Mon Jul 23	Day's change %	Fri Jul 20	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years◆	115.62	+0.17	115.42	-	7.49
2 5-15 years◆	122.18	+0.29	122.04	0.22	7.68
3 Over 15 years◆	126.41	+0.29	126.05	-	6.15
4 Irredeemables◆	142.76	-0.08	142.88	-	7.35
5 All stocks◆	122.13	+0.24	121.96	0.12	7.57
Index-Linked					
6 Up to 5 years◆	147.31	+0.28	146.89	-	1.49
7 Over 5 years◆	136.49	+0.81	135.39	-	2.51
8 All stocks◆	137.19	+0.77	136.14	-	2.43
9 Debentures & Loans	101.49	+0.17	101.32	-	6.22
10 Preference	75.33	+0.21	75.17	-	3.58

AVERAGE GROSS REDEMPTION YIELDS		Mon Jul 23	Fri Jul 20	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.72	10.75	9.77
2	15 years	10.71	10.74	9.27
3	25 years	10.71	10.74	9.14
4 Medium Coupons	5 years	11.98	12.05	10.67
5	15 years	11.20	11.22	9.69
6	25 years	10.87	10.88	9.32
7 High Coupons	5 years	12.08	12.14	10.68
8	15 years	11.46	11.48	9.91
9	25 years	11.11	11.12	9.51
10 Irredeemables		10.80	10.79	9.22
Index-Linked				
11 Inflation rate 5%	Up to 5 yrs	5.37	5.48	3.23
12 Inflation rate 5%	Over 5 yrs	4.31	4.37	3.57
13 Inflation rate 10%	Up to 5 yrs	4.31	4.31	2.42
14 Inflation rate 10%	Over 5 yrs	4.12	4.17	3.40
15 Debs & Loans	5 years	13.63	13.67	12.44
16	15 years	12.78	12.80	11.86
17	25 years	12.50	12.51	11.32
18 Preference		12.61	12.63	10.28

◆Opening index 2384.5; 9 am 2388.7; 10 am 2396.9; 11 am 2395.8; Noon 2401.0; 1 pm 2406.2; 2 pm 2404.3; 3 pm 2399.1; 4 pm 2358.1; 4.10 pm 2363.3; (a) 12.30pm (b) 3.53pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 30p. CONSTITUENT CHANGES: [illegible] Indices and yields calculated on 19/7 prices. [illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	6	12
Corporations, Dominion and Foreign Bonds	5	0	18
Industrials	235	595	742
Financial and Properties	98	288	356
Oils	31	17	40
Plantations	1	4	5
Mines	45	41	76
Others	50	96	98
Totals	545	1,047	1,347

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings July 16
● Last Dealings July 27
● Last Declarations Oct. 18
● For settlement Oct. 29

For rate indications see end of London Share Service

Calls in Aviva Pet, Astra, Corton Beach, Speyhawk, Richmond Oil & Gas, STC and Trusthouse Forte warrants. Put in T. Cowie. Put and call in P & O warrants '92.

LONDON TRADED OPTIONS

THE SHARP movements on Wall Street yesterday stopped an early advance on the futures market, while in the traded options market dealing was quiet after the closing bomb blast in the Stock Exchange.

Following its recent pattern, the September FT-SE 100 index futures contract began the session strongly, on aggressive buying by a UK securities house.

The futures market's premium to the underlying index advanced, at one stage to 72 points, although of that, 35-40 points are an estimate of dividend payments and financing costs. The rally encouraged arbitrageurs to sell futures and buy stock, pushing the cash market off its lows.

The release of the latest UK trade figures encouraged the market, although losses in gilt edged securities, which in turn depressed US Treasury bonds, prevented a stronger advance. By this stage early indications were that Wall Street could open lower, and US stocks traded in London weakened.

However, the heavy fall in the US, which saw the Dow Jones index off more than 100 points at one stage, took futures traders by surprise. The futures market tracked its US equivalent lower, but did not exhibit the same hectic selling.

A steeper fall was prevented by arbitrageurs, hoping to buy futures cheaply and sell stock. September's premium over the cash index was whittled away to its fair value of 35-40 points. September closed at 2,411.0, down 45.0. Its premium closed at 48 points.

In the traded options market, turnover recovered to just below recent levels. The total number of contracts traded stood at 27,444, compared with 27,705 last Thursday. Yesterday's volume was made up of 14,564 calls and 12,880 puts.

The FT-SE index options were the busiest, reflecting the strong moves on the futures and underlying markets. Total turnover amounted to 8,491 contracts, of which 2,729 were calls and 5,762 were puts.

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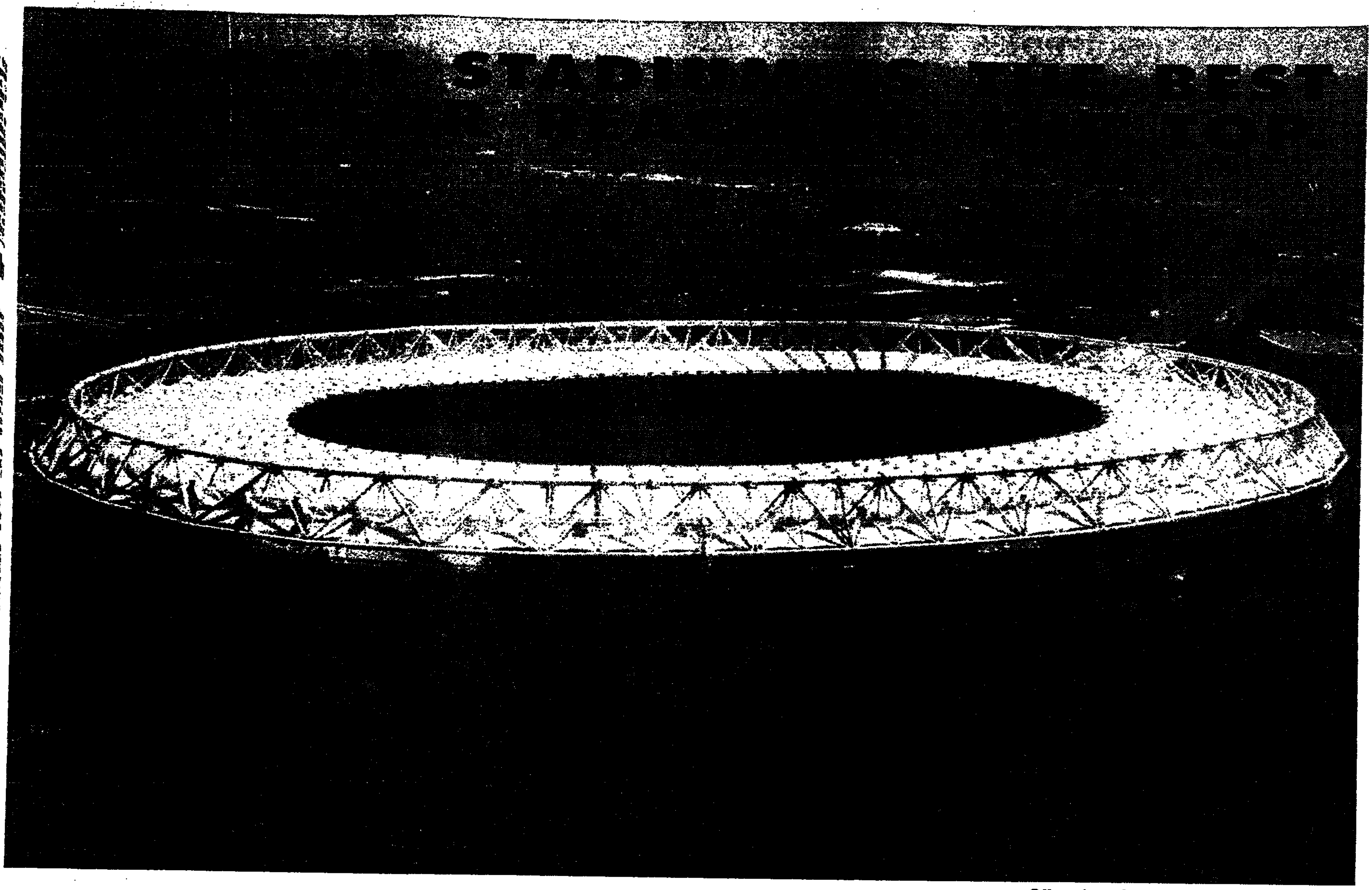


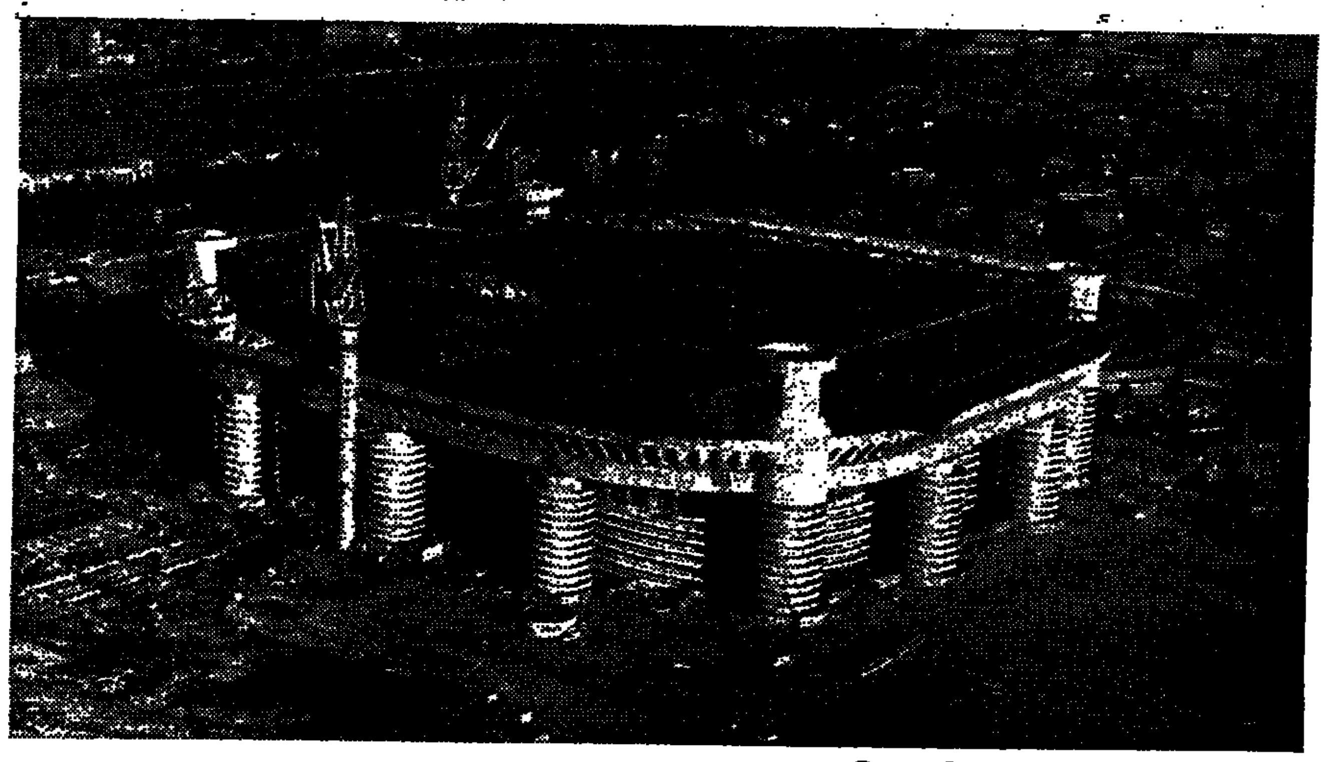
Olimpico Stadium, Rome

HOW TO RAISE 40 THOUSAND TONS AND THE LEADERSHIP OF A GREAT HOLDING.

The new aspect of the Rome and Milan stadiums tells the story of a technological challenge, accepted and won by one of the world leading companies in the field of great engineering projects: the Belleli Holding. Thanks to the techniques of complete on-site pre-assembly and advanced lifting systems using computerised cranes, the Belleli Holding, in collaboration with Cogefar-Impresit for the Olimpico Stadium in Rome and with IRSS for the San Siro Stadium in Milan, won the struggle against strict time limits and exasperating logistic conditions due to limited space.

These are the strong points and technological levers which will help the Belleli Holding intervene successfully in the development of large international engineering design projects.

The competition goes on.



San Siro Stadium, Milan

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UK COMPANY NEWS

Dutch bid quadruples VF Intl investors' money

By Jane Fuller

INVESTORS in the management buy-out of the office furniture business of Vickers, the engineering group, have at least quadrupled their money in less than two years.

VF International was bought in November 1988 for £27m, plus £9.5m of French debt and a UK overdraft of £2.5m. Just £5.3m of this was financed by equity.

Now VFI is being sold to Samas-Groep, a leading supplier of office furniture in the Netherlands, in a deal worth £63.5m. This breaks down as £34m for the share capital, equivalent to 617p per share, and £29.5m of debt. The institutions involved in the buy-out, led by SPHG Equity Ventures, have quadrupled their money and the managers have done even better, according to one of the parties involved.

Mr Bob Denton, VFI's chief executive, headed the buy-out, partnered by four executives from each side of the Channel. More than 100 managers, staff and shop floor workers were also involved.

Mr Denton stressed that the sale to Samas was not taking place because of problems with debt. "We were slightly ahead with repayments of capital and up-to-date with our interest payments."

The company doubled its profit before interest and tax last year to £6.9m. Another substantial improvement was expected this year on sales of more than £100m. Last year's interest charges totalled £3.3m.

About six other organisations had approached VFI and he said the Samas deal offered the best prospects for the business. The combined group would have a substantial market presence in the Netherlands, UK, France and Germany.

Mr Denton said the original plan was to float VFI, but "we became apprehensive about the stock market situation."

Although he believed the same value could have been obtained on flotation as was being offered by Samas, he was worried about a fall in the rating a few months later, leaving the group vulnerable. "There would have been little we could have done about it as a small to medium-sized company."

VFI was advised by SG Warburg and Samas by NM Rothschild & Sons and Amsterdam Rotterdam Bank.

Evode in double buy for £24m

By Jane Fuller

EVODE GROUP, the plastics and chemicals concern, is buying two PVC businesses from the Dexter Corporation, of the US, for nearly £24m via the issue of dollar preference shares.

Kleinwort Benson, which is placing the paper, said it believed this was the first private placement in the US of fixed-rate preference shares by a UK company since the recent introduction of rule 144a by the Securities and Exchange Commission.

Evode, which in May last year doubled its size by buying Chamberlain Phipps, the UK shoe components and adhesives company, says the US purchase will complement its existing US operation.

It is paying a total of $43m (£23.7m) for Alpha Chemical & Plastics, which makes PVC compounds for food packaging, medical and other sectors, and Mercer Products, a vinyl extruder making such things as stair treads.

Alpha operates in New Jersey and North Carolina, Mercer is in Florida and there is a distribution operation in California.

Mr Andrew Simon, Evode's chairman, said the acquisitions would enhance product range, geographical coverage and research and development capability. They would bring the group's annual sales of compounded products to about £100m, of which two-thirds would be in the US. It also provided growth opportunities for the group's thermoplastic elastomers, substitutes for vulcanised rubber.

Alpha and Mercer made an operating profit of $4.6m on sales of $50.3m last year. Net assets are about $18m.

In the six months to March 31, Evode's pre-tax profit rose 61 per cent to £7.21m on sales of £137.1m (£69.33m). However, because of the impact of the paper issued in the £87m acquisition of Chamberlain, earnings per share fell 18 per cent to 5.48p.

Mr David Winterbottom, chief executive, said the group chose the dollar preference share method of payment partly because the UK equity market would not have taken kindly to a further issue of paper. "Nor would we have wanted to increase debt."

The combination of issuing equity but writing off goodwill would lead to a reduction in gearing from 75 per cent to about 68 per cent at the September year-end, he said. The move was expected to be earnings neutral in 1990-91 and positive the following year.

The US dollar cumulative redeemable preference shares have been placed by Kleinwort Benson North America with General Electric Capital Corporation and US WEST Financial Services. The net dividend is calculated at a fixed rate above the prevailing yield on seven-year US Treasury notes, and would have been just under 10 per cent if based on the July 20 figure.

Evode's share price fell 3p to 140p yesterday.

Alan Harper

Chloride AGM sparks protests

THERE WERE protests both inside and outside yesterday's annual meeting of Chloride, the battery group, which turned out to be more tempestuous than usual, writes Clare Pearson.

Outside London's Centre Point some 25 people, representing the Transport and General Workers Union, protested against the dismissal of 50 staff at one of Chloride's Southampton plants. This is now being merged with another factory, with the loss of about 250 jobs.

Inside the meeting the Chloride board, accustomed to criticism when confronted with its shareholders, came under even heavier fire than usual at the meeting.

Private shareholders, who last month learnt that they were not to receive a final dividend as the group had insufficient distributable reserves, delivered scathing attacks on the board.

"I come along to this meeting every year for amusement; to listen to the specious excuses trotted out for the company's mistakes," one shareholder said.

There were calls for directors to take big cuts in salary in the light of a fall in attributable profits to £700,000 (£10.3m) in the year to end-March. The reappointment of Mr Angus Fraser as a non-executive was not approved until a number of people had voiced doubts about his suitability as he had formerly been an executive director.

However Mr Maurice Gillibrand, a former research director of Chloride and long-term critic, failed again to win election to the board. A show of hands at the two-hour meeting approved his appointment as a non-executive director. But the proposal was later defeated by a poll called by Mr Ray Horrocks, the chairman.

It was not clear whether Mr Peter Gyllenhammar, the Swedish businessman whose Mercurius Group now owns more than 16 per cent of the shares, took part in the voting. Mr Gyllenhammar sat quietly at the back of the hall.

Mr Gillibrand's defeat marked his fifth thwarted effort to gain a seat on the board. At the end of the poll, he had captured 5.6m of the 89.43m votes cast, a slightly lower level of support than last year's 6m out of 74.3m.

Questioned about Mercurius, which Chloride had not met at the time of the preliminary statement last month, Mr Horrocks said a meeting had now taken place. "It was cordial. But they have not indicated what they intend to do with the holding," he said.

He said the company was taking legal advice to establish whether an £11.7m pension credit, arising out of the SSAP 24 change in accounting for pensions, could be treated as distributable. This falls within total parent company reserves of £1.4m.

The shares closed at 29p down 1p on the day.

Consortium pays British Syphon £1 for E Lancs Paper

By Andrew Hill

EAST LANCASHIRE Paper Mill Company, one of the UK's longest-surviving paper manufacturers, has been sold for £1 to a consortium headed by Mr Don MacGregor, a former chief executive of the paper division of J Bibby & Sons.

Blue Thane, vehicle for the takeover, is also settling £10.3m of debt owed to British Syphon Industries, the engineering, distribution and manufacturing group which acquired the 130-year-old business in 1984 following a £5.45m hostile bid.

Mr Bryan Morrall, British Syphon's chairman and chief executive, said yesterday that East Lancashire's future would be more secure under the ownership of Blue Thane, which is backed by Scandinavian Bank Group.

British Syphon has subscribed £1.7m in cash for 40 per cent of Blue Thane, which will find new shareholders to buy the shareholding "as soon as is practicably possible".

In the eight months to August 31 1989, East Lancashire lost £4.55m before tax and had net assets of £6.54m. Some £22.5m was written off below the line in British Syphon's last accounts as a provision against the sale of the paper manufacturing business.

East Lancashire was once one of the UK's largest paper manufacturers, but when British Syphon bought the mill it was already suffering in the difficult paper market.

Trading profits improved in 1986 and 1987 as British Syphon sought to reposition the business from commodity products – for example, brown paper – to higher-value writing and printing paper.

In 1988, British Syphon decided to go private through a £50m management buy-out, and since then it has decided to move out of the paper business.

The attempt to go private was blocked by Mr Nathu Ram Puri, who still holds 25 per cent of the company through his private industrial group Melton Medes.

British Syphon sold East Lancashire's paper merchanting operation, Fyne Papers, last September for £23.1m in cash, including the repayment of internal loans.

Molins sets EGM date for latest Leucadia showdown

By Andrew Hill

MOLINS, the cigarette machinery manufacturer, has set a date for the latest showdown with Leucadia National Corporation, the US manufacturing and financial services company which is seeking control of the UK group's board.

A special meeting will take place in London on August 9, at which Molins shareholders will be asked to vote on Leucadia's resolutions to appoint six new directors and remove the existing Molins non-executives, including the chairman Mr Neil Clarke.

In a letter giving notice of the meeting, Mr Clarke urged shareholders to vote against the resolutions and said it would be writing to them again shortly to confirm the "very satisfactory trading position" of the group.

Leucadia already owns 46.6 per cent of Molins, following an unsuccessful hostile bid for the company earlier this year, and could increase the stake to 47.1 per cent before next month's meeting.

The EGM could provide the first opportunity for followers of the Molins saga to meet Leucadia's senior management, which has so far spoken only through banking advisers. Mr Ian Cumming and Mr Joseph Steinberg, Leucadia's chairman and president, are two of the directors proposed by the US group.

The others – Mr Thomas Mara, Mr Lawrence Hershfield, Mr Douglas Campbell and Mr Norman Kiken – are all senior Leucadia employees.

BBA makes $23m acquisition

By Clare Pearson

BBA GROUP, the industrial company serving the automotive, industrial and aviation markets, yesterday announced its first acquisition for 14 months with the purchase of Van Dusen, a US aviation services company. The consideration is $23m (£12.6m) cash plus assumption of obligations in respect of $50m of leasehold properties.

The business is being added to BBA's existing US aviations subsidiary, Page Avjet, which it acquired as part of the Guthrie Corporation in 1988. It will add operations at 13further airports to Page Avjet's existing seven locations.

Van Dusen made an operating profit of $4.7m on sales of $69m in the year to end-December 1989. Estimated net tangible assets, which are to be purchased, at that date amounted to $70m.

Mr Peter Clappison, BBA's finance director, said the acquisition was expected to have a neutral effect on earnings in the current year but become beneficial thereafter.

Benefits would come from elimination of overheads, enhanced purchasing power for aviation fuel, and the combination of the Van Dusen's ground handling skills with Page's general aviation services.

BBA made pre-tax profits of £84.2m, a 31 per cent increase, in the year to end-December. Within this, aviation-related activities generated trading profits of £18.1m (£10.4m) on sales of £137m (£90.6m).

BBA's last acquisition, made in May last year, was of IGH, a US industrial textiles company, for up to $66.6m.

Fewer holders quit Thames

By Clare Pearson

THAMES WATER, the largest of the 10 newly privatised water companies, has seen the smallest contraction in the number of shareholders on its register when notices asking for payment of the second instalment on the water shares were sent out last month.

Thames shareholder numbers had shrunk to 379,307, 60 per cent of the initial 639,488, by June 28. By contrast, South West's shareholders were some 51,000-strong, about 40 per cent of the original total. Taking all the 10 companies sold in last November's water flotation together, the number of shareholders in the industry had roughly halved.

The statistics were revealed by Schroders, the merchant bank which handled the flotation, yesterday.

Schroders also said about a third of shareholders contacted had paid the 70p second instalment now due on the shares.

The deadline for final payment, July 31, is now only a week away.

MITIE up 75% and returns to dividend

MITIE GROUP, which is engaged in the support services and facilities management industry, is making a return to the dividend list with a payment of 1p in respect of the year ended March 31 1990.

This is the first dividend since 1978, and comes from earnings of 10.3p, against 7.4p in 1988-89.

Turnover for the year rose 56 per cent to £15.59m (£9.98m) while the pre-tax profit surged 74.5 per cent to £616,000 (£353,000).

Mr David Telling, chairman, said the year had seen much activity.

The chemical side of Highgate & Job was sold; Multicote Painting Contractors was acquired and met its profit forecast of £250,000; two new companies MITIE Engineering Services (South East) and MITIE Engineering Services (Swindon) were started and were progressing well; MITIE Cleaning and Maintenance Services, which owns 66 per cent of MITIE Express (Couriers), was purchased.

Current trading in all sectors was satisfactory. "A good year of progress; another step forward towards becoming a powerful force in the support services and facilities management industry," maintained the chairman.

Dalepak 36% ahead at £1.9m

By Clay Harris, Consumer Industries Editor

DIVERSIFICATION away from meat grillsteaks to vegetables and pastry products enabled Dalepak Foods to increase pre-tax profits by 36 per cent to £1.92m in the year to April 30.

Profits from grillsteaks, which are formed from chopped meat, were static in 1989-90, said Mr Chris Ivory, the frozen food group's chief executive. Dalepak increased its market share to 31 per cent, as overall UK demand fell by 4 per cent.

Meat now accounts for less than half of turnover. Mr Ivory said Dalepak had not suffered from the "mad cow" scare over bovine spongiform encephalopathy. "Meat grillsteak sales in the four weeks after BSE were up by 9 per cent," he said.

Dalepak's profits advance from £1.41m was in line with 37 per cent growth in turnover to £33.71m (£24.54m). Earnings per share rose 40 per cent to 11.64p (8.33p). A proposed final dividend of 2.965p will raise the total pay-out to 4p (3p).

Sales of vegetable and crumbed-vegetable products rose by 16 per cent in the year, while Fawcetts Frozen Foods – bought in May 1988 – increased sales of savoury pastry products by 18 per cent.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Bensons Crisps, Hotspur Invs., Radius.

Finals- Aitken Hume, CCSC, Castat, Dudley Jenkins, Fleming Enterprise, Murray Smaller Markets, Wood (John D).

FUTURE DATES

Interims-	
Chrysler Corporation	July 31
Epwin	Aug. 6
Explaura	Aug. 8
Severn Trent Water	July 27
Finals-	
Lowland Select Inv Trust	July 26
Waverley Cameron	July 27

FIVE ARROWS INTERNATIONAL BOND FUND

Société d'Investissement à Capital Variable

Registered Office:

2, boulevard Royal, L-2953 Luxembourg

R.C. Luxembourg B 26326

Notice is hereby given to the shareholders, that the

ANNUAL GENERAL MEETING

of shareholders of FIVE ARROWS INTERNATIONAL BOND FUND will be held at the head office of Banque Internationale à Luxembourg, Société Anonyme, 2, boulevard Royal, L-2953 Luxembourg, on August 8, 1990 at 11.00 a.m. with the following agenda:

1. Submission of the Reports of the Board of Directors and of the Auditor.
2. Approval of the Statement of Net Assets and of the Statement of Operations for the year ended as at March 31st, 1990; appropriation of the results.
3. Discharge of the Directors.
4. Statutory Appointments.
5. Miscellaneous

The shareholders are advised that no quorum is required for the items on the agenda of the Annual General Meeting and that decisions will be taken on a simple majority of the shares present or represented at the meeting.

In order to attend the meeting of Five Arrows International Bond Fund, the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale à Luxembourg.

THE BOARD OF DIRECTORS

GRANVILLE

SPONSORED SECURITIES

High	Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343	273	Ass. Brit. Ind. Ordinary	274	0	10.3	3.8	7.4
38	19	Armitage and Rhodes	26	0	-	-	-
210	135	Bardon Group (SE)	150	0	4.3	2.9	14.6
125	96	Bardon Group Cv Pref (SE)	97	0	6.7	6.9	-
123	70	Bray Technologies	72	0	4.7	6.5	11.8
110	82	Bremhill Conv. Pref	82	0	11.0	13.4	-
318	285	CCL Group Ordinary	314	0	18.7	6.0	2.5
176	163	CCL Group 11% Conv.Pref	168	0	14.7	8.8	-
230	140	Carbo Plc (SE)	230	+5	7.6	3.3	13.5
110	109	Carbo 7.5% Pref (SE)	110	0	10.3	9.4	-
7.5	0.125	*Magnet Gp Non-Voting A Cnv	0.125	0	-	-	-
7.5	0.125	*Magnet Gp Non-Voting B Cnv	0.125	0	-	-	-
130	56	Isis Group	56	0	8.0	14.3	3.2
145	58	Jackson Group (SE)	112	0	4.3	3.8	10.0
345	243	Multihouse NV (AmstSE)	300	-20	-	-	-
158	98	Robert Jenkins	130xd	-5	11.0	8.5	3.9
467	320	Scruttons	325	0	20.0	6.2	9.0
178	106	Unistrut Europe Conv Pref	178	0	10.7	6.0	-
395	235	Veterinary Drug Co. PLC	240	0	22.0	9.2	6.4
386	278	W.S Yeates	385	0	16.2	4.2	32.1

Securities designated (SE) and (USM) are dealt in subject to the rules and regulations of the ISE. Other securities listed above are dealt in subject to the rules of TSA

These securities are dealt in strictly on a matched bargain basis. Neither Independent Companies Exchange Limited nor Granville Davies Limited are market makers in these securities

* These securities are dealt on a restricted basis. Further details available

Independent Companies Exchange Limited, 77 Mansell Street, London E1 8AF, Telephone 071-488 1212, Member of TSA

Granville Davies Limited, 77 Mansell Street, London E1 8AF, Telephone 071-488 1212, Member of The ISE & TSA

Manx bill to block takeover of ferry company to be challenged

SeaCon renews fight for Steam Packet

By Andrew Hill

MR JIM SHERWOOD, president of Sea Containers, will today draw the Home Office's attention to allegedly unconstitutional Manx legislation which threatens to block the group's bid for control of the Isle of Man Steam Packet Company.

Last Friday, Mr Sherwood wrote to the Manx government objecting to a special bill which was rushed through its first and second readings last week to protect the Steam Packet from takeover.

In today's letter to the Home Office, Sea Containers is likely to claim that the Manx government exceeded its powers by acting on an issue which is not purely domestic, and that Royal Assent for the bill should be withheld.

Irrespective of the outcome of these latest manoeuvrings, Bermuda-registered Sea Containers seems likely to increase its hostile offer for the ferry operator once the Steam Packet produces a profit forecast.

Sea Containers has owned 41 per cent of the Steam Packet since 1985, when the ferry company was near collapse. It now wants to increase its shareholding to 75 per cent before introducing high-speed catamarans on the route.

Mr Sherwood has a seat on the Steam Packet's board and admitted yesterday that he had a good idea of the Manx ferry company's profits for the current year. The 115p-a-share offer would almost certainly be increased if the Steam Packet met his expectations, he said, but added: "I think it proper that they should make an official forecast."

The Steam Packet's shares closed 2p higher at 108p yesterday.

The buccaneering Mr Sherwood is no stranger to tactical battles fought under island legislation. Sea Containers itself fought off a hostile Anglo-Swedish bid worth $1.12bn (£616m) earlier this year after several months of wrangling in the Bermuda supreme court,

Jim Sherwood: no stranger to tactical island battles

although it had to sell the bulk of its Sealink ferry and container assets to those predators.

The bid for the Steam Packet values the whole group at just £17.25m, but has raised emotions quite out of proportion to the size of the offer. Manx residents fear that if Sea Containers is successful, commercial interests may be placed above the needs of the community.

Mr Sherwood said yesterday he did not expect victory to come easily: "I think a lot of the shares are held by families on the island, which have held them for generations. Shaking them loose is not going to be too easy."

Apart from the Sea Containers holding, only 0.9 per cent of the Steam Packet's equity had been committed to the offer at the first closing date last Friday.

Mr Sherwood added: "I really do think that these [legislative] steps are tactics to get the price up and in substance they are meaningless. Regardless of what people say the facts are these: thanks to us, a near-moribund company is now viable and a credit to the community."

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Abtrust Scotland ......fin	0.45	-	0.35	0.45	0.35
Black Arrow ......fin	3.2	-	2.75	4.2	3.75
Bullough ......int	1.75	Sept 5	1.75	-	6.05
Dalepak Foods ......fin	2.965	-	2.1	4	3
Dudley Jenkins §......fin	2.6	-	2	3.8	3
Menvier-Swain § ......fin	4.7	Oct 1	3.6	6.8†	5.2
MITIE Group ......fin	1	Oct 4	nil	1	nil
Rights & Issues ......int	2	-	1.6	-	8.1
Temple Bar Tst ......int	4.1	-	3.7	-	10.2
UPL Group ......fin	nil	-	1.75	nil	2.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

NEWS IN BRIEF

BICC: In its rights issue, acceptances have been received in respect of 127.31m convertible capital bonds (71.9 per cent). Under the terms of the underwriting agreement, the bonds not taken up will be sold in the market.

BRITISH DREDGING has acquired Selco Trade Centres, supplier of building materials, for an initial £3.5m, plus a further maximum £1m depending on profits. Initial payment will be in £2m cash and £1.5m in loan notes.

EFG is buying P&G Marketing, a distributor of Terracotta and Stoneware products, for an initial £57,000 in 93,750 shares. Deferred consideration may be payable but will not exceed £100,000.

HICKSON International has agreed to acquire Macostan BV Laken Verffabriek for an initial Fl2.5m (£750,000). Further consideration of Fl9.5m (£2.85m) is payable and additional Fl4.5m (£1.35m) could be payable depending on profits. Macostan makes factory-applied wood finishes and coatings for metal furniture.

NORTHERN FOODS: Mr Christopher Haskins, chairman, said trading results for the first three months of the current year were encouraging and ahead of budget.

RIGHTS AND Issues Investment Trust: Net asset value per capital share 369.5p (437.7p) and per income share 105.7p (120.5p); net revenue £129,410 (£114,229); interim dividend 2p (1.6p). Final of not less than 5.25p (6.5p) forecast on income shares.

TEMPLETON EMERGING Markets Investment: final dividend 0.7p plus special 0.9p, to make 1.6p for period ended April 30 1990.Total income £1.59m; earnings per share 2.5p basic and 1.7p fully diluted. Net asset value 127.53p diluted.

THROGMORTON USM Trust: Gross income first half of 1990 £782,000 (£757,000) and earnings per share 2.18p (1.9p). Net income £453,000 (£400,000). Net asset value 131.7p (168.5p) after prior charges at par, convertible preference converted, and warrants exercised.

KANSALLIS-OSAKE-PANKKI
(Incorporated with Limited Liability in Finland)
US DLRS 100,000,000
Subordinated Floating Rate Notes due July 1997

In accordance with the terms and conditions of the Notes, we hereby give notice that the next interest date will be October 24, 1990.

- Annual interest rate for the period from July 24, 1990 to October 24, 1990 will be 8 3/8 %.

Interest payable will be:
- US$ 214.03 per US$ 10,000 nominal principal amount for registered notes.
- US$ 214.03 per coupon for US$ 10,000 denomination bearer notes
- US$ 5,350.69 per coupon for US$ 250,000 denomination bearer notes.

BANQUE GENERALE DU LUXEMBOURG S.A.
Agent Bank

KANSALLIS INTERNATIONAL BANK S.A.
Ecu 25,000,000 Subordinated Floating Rate Notes due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from July 24, 1990 to January 23, 1991, the notes will carry an interest rate of 10 9/16% (inclusive 3/16% margin).

The coupon amount so calculated will be Ecu 53,693.

BANQUE GENERALE DU LUXEMBOURG S.A.
Agent Bank

GENFINANCE N.V.
US$ 100,000,000 Floating Rate Notes due 1994

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six months period from July 24, 1990 to January 24, 1991, the notes will carry an interest rate of 8 1/2 % (including the margin of 1/8 %).

The coupon amount so calculated will be US$ 434.58.

BANQUE GENERALE DU LUXEMBOURG S.A.
Reference Bank

UK COMPANY NEWS

Yorkshire Radio rejects 'derisory' bid by Metro

By Raymond Snoddy

YORKSHIRE RADIO Network yesterday immediately rejected a takeover offer from Metro Radio said to be worth £13.5m in the latest restructuring in the UK commercial radio industry.

The offer from Metro, which operates radio stations in the Tyne and Wear and Cleveland areas, came only days after the public announcement that Yorkshire was in merger talks with Mr Owen Oyston's Trans World, which runs stations in Manchester, Leeds, Preston and Cardiff.

Mr Michael Mallett, chairman of Yorkshire, yesterday described the Metro offer as "derisory" and less than the market price for the company.

"Who the hell are Metro?" said Mr Mallett before adding: "We believe there is a lot of commercial logic in a merger with Trans World and we don't believe there is very much in a deal with Metro."

The addition of Radio Aire in Leeds to Sheffield, Bradford and Hull would give coverage of all of Yorkshire and Humberside and the deal would create, it is believed, the largest commercial radio company in the UK.

By contrast, Mr Mallett said, "there are an awful lot of sheep between Hull and Newcastle."

Mr Neil Robinson, Metro Radio's managing director, said yesterday: "Our bid offers Yorkshire shareholders a generous price for their shares, together with an opportunity to participate in an enlarged and fast developing independent radio group".

He said the offer involved four Metro shares for every five Yorkshire shares, and a partial cash alternative of 2 Metro shares plus 310p.

"We will be quite aggressive," Mr Robinson promised after being told that Mr Mallett had described the offer as "derisory."

The Yorkshire chairman, who recently announced a pre-tax profits drop from £619,000 to £410,000 for the six months to March, said yesterday that agreement had been reached in principle on all significant terms for the merger with Trans World.

The restructuring involving Yorkshire is the latest in an industry clearing the decks for the arrival of three new national commercial radio networks over the next few years.

Menvier-Swain lifts profits 53% and sees no downturn

By Andrew Hill

MENVIER-SWAIN Group, the emergency lighting and fire alarm manufacturer, has again managed to evade the downturn in the UK construction sector, pushing up profits by 53 per cent in the year to April 30, from £3.58m to £5.47m before tax.

Mr Roger Fletcher, the USM group's managing director, explained yesterday: "We are only involved in the commercial and industrial market and our products are at the end of a building phase. Certainly at the moment we see no sign of a downturn at all."

Menvier's profits were boosted by a £267,000 exceptional gain on property sales. The group was also sheltered from exposure in the UK by its expanding operations in the continental European market.

Menvier bought Luminox, a French emergency lighting group, last August, and Pretronica, a Portuguese manufacturer, in December. It has since added two Danish companies to its European portfolio.

The issue of shares for the Luminox acquisition held back earnings, which rose 28 per cent from 21p to 26.5p per share, but also cut directors' holdings from 80 per cent to about 62 per cent.

Turnover rose from £26m to £40.3m and the group recommended a final dividend of 4.7p, making 6.8p (5.2p) for the year.

Menvier does not split out the performance of individual subsidiaries, but revealed that emergency lighting and fire alarms in the UK increased profits to £4m (£3.1m) on turnover of £20.8m (£15m).

European emergency lighting activities made £2m (£300,000) on sales of £8.7m (£1.5m).

Profits from other UK activities, which include electrical and mechanical contracting, were slightly lower than in the equivalent period at just £150,000 (£160,000), although sales grew from £5.9m to £7.4m, and Menvier said the US and Australian emergency lighting operations had faced difficult trading conditions.

● COMMENT

Menvier-Swain is always asked why it is all but unaffected by the downturn in the UK construction industry, and the answers are always the same. But in the last year, investors seem to have ignored Menvier's defensive strengths, and its shares have not marked time against the electricals sector, despite the increased marketability of the stock. Sceptics would argue that the cycle must be about to catch up with Menvier, but the group looks to have timed its run into Europe well to offset any weakness in the UK. In addition, demand for its products is led by safety legislation and there is no greater opportunity for such businesses than that offered by the single European market. There is always the risk that the group will buy a turkey on the continent, but even after yesterday's 12p jump to to 365p, the shares still look attractive on a prospective multiple of about 11, assuming group profits approach £7m this year.

Black Arrow worse than expected at £3.75m

PROFITS OF the Black Arrow Group fell from £4.61m to £3.75m pre-tax for the year to end-March from a turnover little changed at £26.24m.

Mr Arnold Edward, chairman of the office furniture group, blamed the 19 per cent profits shortfall on two factors "unforeseen" at the six months' stage.

He said that although office furniture turnover was only marginally lower, profits had been adversely affected by losses in the Scottish operation. Furthermore, the "promise shown" at the start of the year by the dry-cleaning franchise business was not sustained and increased losses were incurred.

Earnings per share declined from 11.47p to 9.44p but a recommended final dividend of 3.2p (2.75p) makes a 4.2p (3.75p) total.

At the half-year stage profits were around £170,000 lower but Mr Edward said he was confident the shortfall would be made up and that the figure for the full year was unlikely to be materialy different from that of the previous year.

The shares closed 3p lower at 65p.

Exceptional lifts Dudley Jenkins

An exceptional profit of £356,000 enabled Dudley Jenkins Group, the USM-quoted list broker, to lift its pre-tax profits from £531,000 to £766,000 in the year to April 30.

Turnover climbed from £5.48m to £8.5m and gross profit rose to £2.72m (£1.64m); however, distribution and administrative expenses took substantially more at £2.41m (£1.18m) and, after other operating income of £95,000 (£41,000), operating profit was down from £502,000 to £412,000.

The exceptional item comprised compensation arising from losses caused by fire damage at a group company.

Mr Tylan Bahcheli, chairman, said that the profits achieved were "helped by the acquisitions made in 1989".

After tax of £301,000 (£204,000), earnings came out at 8.89p (7.45p) and a proposed final dividend of 2.6p (2p) will lift the total to 3.8p (3p).

Profits fall by 3% and full-year figure expected to be lower

Office furniture downturn hits Bullough

By Jane Fuller

A SLUMP in profits from office furniture and increased interest charges lay behind a fall in Bullough's first half pre-tax profit, the first since 1981.

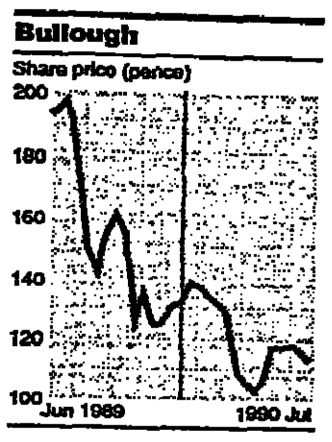
The pre-tax figure declined by 3 per cent to £11.64m (£12m) after interest charges of £1.46m (£870,000), for the six months to April 30. And the company warned that the full-year figure would be less than the previous £23.75m.

Turnover for the six months advanced by 23 per cent to £156.19m (£127.33m), fuelled by two acquisitions: Linguanotto, a French chair company, and Baxter Fell Northfleet, a retail shelving concern.

Mr Derrick Battle, chairman, described both as "turn-round situations" which had contributed little to profit. Their purchase was also the main reason for the rise in interest charges. Year-end gearing had stood at 40 per cent; by October it was expected to fall below 35 per cent.

In the largest division, office products, operating profit fell 18 per cent to £6.97m on sales up 14 per cent to £71.47m. Mr Bob Steel, managing director, said there had been "a £2m over-run on overheads" at Project when anticipated growth failed to materialise. Costs had been cut in February to redress the balance.

The French business Atal accounted for the bulk of overseas earnings, which totalled £1.75m pre-tax. Margins continued to be significantly lower than in the UK. "The French still like fairly simple office furniture."



Group performance was to some extent rescued by a bumper first half for George Baker, which makes refrigerator cabinets. Sales to supermarket chains were up 35 per cent and an extra £1.5m profit was brought in.

Mr Steel said customers were upgrading their equipment to cope with new temperature regulations for chilled food and to use more environmentally friendly CFC coolants.

In the other divisions, operating profit grew in heating (£1.93m) and electrical (£915,000), but fell in the automotive-vulnerable engineering activities (£846,000).

Earnings per share slipped to 6.43p (6.55p). The interim dividend is maintained at 1.75p.

● COMMENT

After an eight-year boom, in which the real cost of furniture and fittings for an office worker more than doubled, Bullough was caught unawares by the end of it. It is surprising that the group was still reckoning on 17 per cent growth at Project when spending on discretionary, deferable items like new office furniture was bound to be affected by last year's jump in interest rates. The business must be vulnerable to a slowdown in commercial building and, as furniture comes at the end of the cycle, there will be a lag before the benefit of interest-rate cuts filters through. The saving grace is refrigeration. Sales to stores should stay strong and when the pub ownership scene clarifies, there should be some pent-up demand from that quarter. A profit forecast of £26m gives a prospective p/e of 8 on yesterday's closing price of 114p, which is not cheap.

Ashley Ashwood

Derrick Battle: two acquisitions were main reason behind increase in interest charges

Pru single premiums rise 20% to £1.52bn

By Eric Short, Pensions Correspondent

STEADY NEW business growth worldwide in the first half of this year was recorded by the Prudential Corporation, Britain's largest life assurance and financial services group, with new annual premiums rising 6 per cent to £316.8m and single premiums climbing over 20 per cent to £1.52bn.

In the UK, the Pru, as the largest personal pension provider in the UK, benefited from a continuing buoyant market in this field, particularly in single premium business.

Single premium personal pensions rose from £233.7m to £308.5m, boosted by the receipt of £250m from employees using Personal Pensions to contract-out of the State Earnings-Related Pension Scheme (Serps).

Excluding this particular personal pension business, Pru recorded an underlying growth rate of over 150 per cent in individual single pension premiums, coming from the success of this business from its unit-linked operation, Prudential Holborn, and from the growth in business from employees changing jobs and transferring their company deferred pension to personal pensions.

New annual premium personal pensions business fell only slightly from the record levels last year from £77.8m to £74.3m.

Life business saw a 15 per cent rise in new annual premiums on non-linked business to £79.7m, arising from the success of a new marketing campaign.

Unit linked business recorded a 20 per cent increase to £7.1m in new annual premiums and a similar rise in single premiums to £48.8m.

There was a mixed pattern of growth in international long-term business.

In the US, Jackson National Life had a 10 per cent rise in annual premiums to £44.2m and a 45 per cent jump in single premiums to £724.7m.

However, in Australia a 3 per cent growth in single premiums to £97.3m was more than offset by an 18 per cent drop in new annual premiums to £22.3m.

In Canada, steady growth in new annual premium business from £6.6m to £8.1m was offset by a drop in single premium business from £101.3m to £77.3m.

The long-term reassurance business of Mercantile and General resulted in new annual premiums climbing from £36.9m to £49.5m and single premiums halving from £37.1m to £16.8m.

NEWS DIGEST

Losses at UPL rise to £931,000

LOSSES CONTINUED in the second half at UPL Group, as expected. They rose to £601,000 to make a total of £931,000 for the year ended January 31, against £332,000 profit.

Mr Ian Le Vesconte, chairman of this food importer, distributor and manufacturer, said the problems were largely the result of poor financial reporting and inadequate controls. That led to large stock and bad debt write-offs and delays in identifying and tackling high overhead costs.

However, remedial measures had been taken since March, and benefits should become evident as the year progressed.

Turnover of the group, quoted on the Third Market, came to £14m (£14.59m) and trading loss was £714,000 (profit £436,000).Loss per share worked through at 19.75p (earnings 5.28p).

Mr Le Vesconte is giving up the chairmanship in favour of Mr Arne Bergbrant, who joined the board in March. Mr Le Vesconte will remain as a director.

Phoenix Timber trading declines

Mr Peter Quinn, chairman of Phoenix Timber, told the annual meeting that trading in the first quarter of the current year showed further deterioration.

The problems were especially pronounced in the south-east, where the company had most of its business. Financially, the group remained sound, Mr Quinn said. It was able to withstand a further period of high interest rates and difficult trading and return to satisfactory profits when economic conditions improved.

Telecomputing cuts losses to £44,000

The new management at Telecomputing, the USM-quoted computer systems and software group, is getting to grips with the problems and says the group returned to operating profit in the second quarter of 1989-90.

That meant for the first half to March 31 the loss was cut from an adjusted £332,000 to £44,000, after doubled interest charges of £42,000. Turnover was £1.23m (£1.31m).

Results for the second half would depend on the timing of specific orders, said Mr Tony Evans, the chairman.

And he claimed: "We have a growing list of prospects for Telecomputing's products and services and our budgets for next year indicate a return to substantial profits".

New management was installed last autumn following the acquisition of 29.8 per cent of Telecomputing by Ferrari Holdings. It ceased capitalisation of R&D, cut costs to match revenues, and placed renewed emphasis on the traditionally successful transaction processing software.

Mr Evans said there was now firm control over costs and a more responsive, less top heavy, stable organisation on which to build. "We are determined that Telecomputing will become a substantial systems and software group over the coming years", he told shareholders.

Trust of Property nav falls to 69.04p

Trust of Property Shares, an investment trust, reported net assets per share down sharply at 69.04p per share at June 30, 1990, against 95.45p six months earlier and 109.49p at the end of June 1989.

After-tax revenue dropped from £42,369 to £33,326. Tax charge was £9,305 (£16,894) and earnings per 5p share fell from 0.642p to 0.505p.

Franked investment income grew to £37,221 (£32,858) in the half and the second-half figure is budgeted to be more than twice the amount now reported.

Cranbrook Elect £0.25m in the red

Losses continued at USM-quoted Cranbrook Electronic Holdings and its chairman foresaw little short improvement in the prevailing market conditions.

Mr Tony Diamond thought the conditions would continue to impact the second-half sales performance. However, with a positive book-to-bill ratio, increased efficiency and the prospect of lower interest rates creating a more positive climate, he believed the group would return to profitability in 1990-91.

Following the loss of £602,000 in the second half of 1988-89, this distributor and technical stocking representative of electronic and sub-systems incurred a deficit of £251,000 in the six months ended March 31 1990. That came from turnover of £5.27m and compared with a profit of £113,000 on sales of £5.53m.

Mr Diamond said customers were reluctant to commit to new projects and delayed schedules on current production orders, as a direct consequence of economic uncertainty and high interest rates.

Loss per share for the period was 2p (earnings 0.8p). There is no interim dividend, against 0.5p which turned out to be the only payment last time.

Abtrust Scotland nav rises to 34.5p

Abtrust Scotland Investment Company, an investment trust, increased net assets per share to 34.5p as at May 31 1990, against 31.2p a year earlier.

Net revenue rose from £94,020 to £110,137 in the year, after tax of £33,934 (£20,654). Earnings per 10p share came to 0.5p (0.46p) and the recommended single final dividend was 0.45p (0.35p).

The directors said the coming year should see further growth from what they said was a very well developed portfolio,and the pursuance of further suitable acquisitions.

Medeva pays initial £10m for Kerfoot

Medeva is buying Thomas Kerfoot for an initial £10m in a move that it says will make it the UK's leading supplier of unbranded generic pharmaceuticals. There will be further profit-related payments to a maximum of £10m.

A vendor placing to raise £5m at 70p a share, the same as the closing price last night, has been arranged. The shares have been conditionally placed with clients of Queen Anne's Gate Asset Management. Existing shareholders will be able to subscribe on the basis of 1-for-16.9424 held.

It is the fifth acquisition by Medeva, formerly Mediface, in the last 14 months.

Pentland slips to £42.36m in quarter

Pentland, the consumer products group which has offered to sell its 31.5 per cent stake in the highly successful US Reebok footwear business, reported profits down to £42.36m from £42.87m for the quarter to June 30.

Turnover was up at £310.9m (£270.13m), and after tax profits attributable to Reebok International UK holders totalled £25.38m (£25.51m) and for Pentland members £8.03m (£8.16m).

Earnings for Pentland shares was 2.23p (2.26p).

In April an interim dividend of 0.9p (0.75p) was announced for the 15 months to December 31 1989.

Temple Bar assets static

Net asset value per 25p ordinary share of the Temple Bar Investment Trust totalled 298.92p net of prior charges at market value at June 30. That was virtually static on the 298.93p standing 12 months earlier.

Available profits for the half year to end-June rose from £3.08m to £3.34m after taking account of tax of £1.16m (£1.09m). Adjusted earnings emerged at 5.827p (5.425p) and the interim dividend is being lifted to 4.1p (3.7p).

To the holders of 9¼ per cent Convertible Unsecured Bonds due 1999 of Anglo Group PLC

Exchange Offers
on behalf of
General Oriental Investments Limited,
J. Rothschild Holdings plc
and
RIT Capital Partners plc
by
J. Rothschild Capital Management Limited
to exchange ordinary shares of
Ranks Hovis McDougall PLC
for convertible bonds of
Anglo Group PLC

Copies of the Circular dated 24th July, 1990 and Forms of Acceptance and Authority addressed to, *inter alia*, Anglo bondholders relating to an Exchange Offer on the basis of 31.50 RHM shares for every £100 nominal of Anglo bonds with a Cash Alternative of £107.10 per £100 nominal of Anglo bonds (as such terms are defined in the Circular), may be inspected at or obtained from:

(a) Anglo's registered office, Anglo House, 2 Clerkenwell Green, London EC1R 0DH;
(b) the principal office of the Trustees of the Convertible Bonds, The Law Debenture Trust Corporation plc, Princes House, 95 Gresham Street, London EC2V 7LY; and
(c) the offices of the Paying and Conversion agents, Hambros Bank Limited, 41 Tower Hill, London EC3N 4HA; Morgan Guaranty Trust Company of New York, Avenue des Arts 35, B-1040 Brussels, Belgium; and Kredietbank SA Luxembourgeoise, Boulevard Royal, L-2955 Luxembourg.

The Exchange Offer remains open for acceptance until 1.00 pm on 14th August, 1990 and will not be increased or extended thereafter.
This advertisement is issued by J. Rothschild Capital Management Limited, a member of IMRO.
24th July, 1990

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In accordance with the description of the Notes, notice is hereby given that for the interest period from July 20, 1990 to January 22, 1991, the Notes will carry an interest rate of 7% p.a.
The interest payable on the relevant Interest Payment Date, January 22, 1991 against coupon No. 7 will be YEN 356,712 per Note of YEN 10,000,000 nominal.
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COMMODITIES AND AGRICULTURE

Oil prices rise sharply as Gulf tension continues

By Steven Butler

OIL PRICES rose sharply again yesterday as tension continued at a high level in the Gulf, where Iraq accused the Kuwaiti foreign minister of being a US agent.

The strident Iraqi attacks on Kuwait appear to have shifted the political balance within the Organisation of Petroleum Exporting Countries, whose members have begun to gather in Geneva for the formal opening of a ministerial conference on Thursday.

Iraq has called for oil prices to rise to $25 a barrel. The Middle East Economic Survey, the Cyprus-based weekly, yesterday reported that Iraq wants to freeze the Opec production ceiling and individual members' quotas until prices reach this level. The average price for the Opec basket of crude oil has now risen to about $17 a barrel, about $3 a barrel higher than a month ago.

Yesterday Brent crude oil for September delivery rose by 52½ cents to close at $19.27½ in European trading. The September futures contract for West Texas Intermediate Crude on the New York Mercantile Exchange was 45 cents higher at $20.51 a barrel in midday trading.

Mees also reported that Abu Dhabi, of the United Arab Emirates, had instructed its oil production companies to cut output by 400,000 barrels a day in August to 1.15m b/d. This would reduce the UAE's total output to nearly 1.5m b/d, which is its new quota allocation.

The Iraqi verbal attacks on Kuwait have won broad support among oil producers who have suffered from low prices, and both Kuwait and the UAE appear to be giving in to heavy political pressure to cut oil output. Both Kuwait and the UAE have persistently ignored Opec quota limits, driving down prices.

Mr Ali Akbar Hashemi Rafsanjani, the Iranian president, yesterday called for Opec to push for higher oil prices. Mees said that an Iranian proposal to raise the Opec reference price from $18 to $20 a barrel, and to cut output if this target were not reached by October, had a good chance of being approved at Geneva.

A number of moderate Opec members, including Saudi Arabia, however, are thought unlikely to wish to see oil prices rise significantly above this level.

Attack on Kuwaiti Minister, Page 3

PNG backs commercial project

By Kevin Brown in Sydney

THE GOVERNMENT of Papua New Guinea yesterday announced firm support for the development of the country's first commercial oilfields, indicating that the project will go ahead in spite of local opposition. Mr Rabbie Namaliu, the Prime Minister, said the National Executive Committee had approved a timetable for negotiations that should lead to an agreement being signed with an international consortium in November.

The consortium has been seeking permission for some time to develop the Iagifu/Hedinia and associated fields in the Southern Highlands of western PNG, known collectively as the Kutubu project.

Chevron Niugini, the operator, estimates that Kutubu could be producing 90,000 barrels of oil a day by late 1992 if production licences are granted shortly. However, progress has been difficult because of local opposition to both oil production and an associated pipeline to a loading point in the Coral Sea, between PNG and northern Australia.

The Government has also resisted pressure from the consortium to bear a large share of the costs of pipeline construction on the grounds that the pipeline may eventually serve other producers in the area.

It has now agreed to negotiate a formula under which the ownership and costs of the pipeline will be reviewed as other oilfields are developed.

Mr Namaliu said development of the oilfields was crucial to PNG because of the impact of falling commodity prices and the closure of the copper mine on Bougainville Island, where secessionist rebels have taken control.

He said the project would contribute Kina 1.4bn (£820m) in revenues over 10 years, and would encourage further exploration and development. "I hope that the heat and passions generated during the last few weeks will now subside, and that all parties will settle down to ensure the success of Papua New Guinea's first commercial oilfield," he said.

Cominco spending £5m to revive mine

By Robert Gibbens in Montreal

COMINCO, THE Canadian metals group, is spending C$11m (£5.25m) to bring its Sullivan zinc-lead-silver mine in southern British Columbia back to full production by October. The mine will then be producing at an annual rate of 220,000 tonnes of zinc in concentrate for processing at the nearby Trail smelter.

Sullivan was mothballed last January because of a bitter pay dispute. Cominco said this had lead to heavy losses. This weekend, 700 Sullivan workers and 3,000 at Trail, all represented by the United Steel Workers, ratified a new 27-month contract providing a basic pay increase of almost 20 per cent. Reopening of the Sullivan mine was part of the settlement.

Cominco, controlled by Tech Corporation, Metallgesellschaft of Germany, and MIM Holdings of Australia, will reopen the mine in stages, aiming to build an ore stockpile sufficient to restart the concentrator within three months, said the mine manager, Mr David McMurdo. The $11m will cover start-up costs and immediate development work.

"We're very hopeful about Sullivan's future with the productivity gains we hope to achieve with the new contract. Our unit costs will be reduced and the outlook is favourable, as long as metal prices remain at present levels," he said.

Sullivan's stated recoverable reserves are 23m tonnes, averaging 7.2 per cent zinc, 4.5 per cent lead, and 0.82 troy ounces of silver per tonne. Mr McMurdo said this was sufficient to provide annual throughput of 2m tonnes of ore for eight years, declining in the last two years of the mine's projected life of ten years.

A 36-day strike at New Caledonia's Societe Le Nickel has been called off, union officials said, reports Reuters from Noumea.

The management had rejected a claim submitted by USOENC, the company's largest union, for the payment of a bonus to each of the company's 2,000 workers.

SLN said over the weekend the strike had cost the company output of around 2,400 tonnes of nickel metal. The company's annual production is about 46,000 tonnes.

Paying the price for keeping larders full

The ups and downs of a free market would hit consumers harder than producers

FARMER'S VIEWPOINT

By David Richardson

THE FIRST occasion when grain supplies and markets were managed by a government is recorded in the Old Testament. Genesis Chapter 41 tells the well-known story of Pharoah's dream, Joseph's interpretation of it, and the seven fat years followed by the seven lean years.

Joseph had the foresight to store the surplus during the years of plenty so that, when shortage occurred, he was able to provide not just the Egyptians with grain but surrounding areas as well. As verse 57 records, "And all countries came into Egypt to Joseph for to buy corn; because that the famine was so sore in all lands."

As the Gatt negotiators gather in Geneva this week to try yet again to agree a world policy for the removal of farm subsidies and protectionism, they would do well to remember that biblical lesson and the cyclical nature of agriculture. They might also care to be reminded that the primary objective of managing food markets, whether in ancient Egypt, through the Corn Laws of Middle Ages Britain, or at any time since, was to secure supplies to consumers and not, as so many commentators imply, to guarantee incomes for farmers.

I should perhaps concede at this point that I, along with many other UK farmers, would much prefer free markets if they were a practical proposition. We believe we are some of the most efficient food producers in the world, with the farm structure, the climate and the land to match any competition. In addition, we have 320m EC consumers conveniently on our doorstep.

We do not, however, have governments which are prepared to run the risk of a food free-for-all, which they presumably accept could lead to rural disaster and urban food shortage. Neither, I suspect, do most Northern Hemisphere countries have governments which are really prepared to take that chance, even though they have made such a pig's ear of agricultural policies over the last few years, in contradiction of their protestations of support for the Gatt objectives.

Most UK farmers, in fact, fully accept that the late 1970s and early 1980s were a "fat" period, during which surpluses of some commodities grew and the cost of supporting them, together with the trade disruption they caused, rose to unacceptable levels.

But few consumers, I suspect, appreciate that, in spite of the apparent cost of all this, farm incomes fell disastrously. In the UK, for instance, during the last decade farm profits have fallen by 50 per cent in real terms.

Meanwhile, supplies of most of those same basic commodities have become "lean". In 1986-87, for instance, the stocks-to-use ratio for wheat and coarse grains worldwide stood at 31 per cent. Today, the ratio stands at just 17 per cent, a figure which the FAO in Rome and other food watchers worldwide believe is critically low.

Furthermore, even after this year's harvests, which are expected to be good almost everywhere in the world, stocks of wheat are expected to rise by a fraction of 1 per cent, while stocks of coarse grains are expected to fall still further. The fact is that consumption over the last few years has been rising faster than production, and the "food mountains" still talked about by ill-informed politicians have disappeared.

That, however, is only one of many misconceptions surrounding the Gatt Round and perpetuated by the recent Houston summit. It would, for instance, have been easy to assume from the rhetoric of President George Bush that Japan and the EC were the only major powers to pay subsidies to farmers and that they alone were distorting world trade. British Prime Minister Margaret Thatcher did little to correct the allegation.

The facts are that most countries subsidise their agriculture, for reasons that now include the maintenance of rural communities and the protection of the environment as well as the production of adequate food. Norway and Switzerland, for instance, pay their farmers an average production subsidy equivalent (PSE) of about £18,000 a year. The average PSE in the US is currently more than £14,000 a year, while across the EC countries it is a mere £5,365 a year. The moral must surely be – on this and other matters – do not watch President Bush's lips.

It is also wrongly assumed, even by distinguished colleagues on this newspaper apparently, that the removal of agricultural subsidies and protectionism would automatically lead to a reduction in food prices to current world levels. There would, it is implied, be a saving of several pence in the standard rate of UK income tax currently deducted to support agriculture, as well as cheaper food in the shops.

First, a word on the current cost of food. According to the 1989 edition of Agriculture in the UK, a Ministry of Agriculture publication that describes the industry in statistical form, the percentage of UK consumers' expenditure on food and drink has fallen from 29 per cent in the 1978-80 period to 24.3 per cent last year. Of that total, no less than 6.2 per cent of average income was spent on alcoholic drinks; a further 6 per cent on meals out; and only 12.1 per cent on household food.

Farmers and the food trade could, I suggest, use those figures to argue that basic food is too cheap already to the point that it is taken for granted by a population which spends 87.9 per cent of its income on less essential goods.

The likely effects on food prices, if all subsidies were removed, can, of course, only be an estimate based on assessments of many factors. The OECD has, in fact, constructed a computer model that suggests the effect on the output of EC agriculture would be to reduce producer prices by 4.6 per cent and farm output by 18.7 per cent. Imports into the Community would fall by 17.4 per cent, says the OECD, while exports would fall by 59.7 per cent.

Those figures, however, even if you accept them at face value, only tell part of the story. Quite apart from the serious balance of payments implications for the Community, which I believe would prove unacceptable to EC governments, they do not take account of the associated destruction of rural communities, nor of the risks to food security.

One forecast, for instance, has suggested that full implementation of the Houston communique would lead to 3m of the EC's 9m farmers being forced out of business. More importantly to consumers, however, is the likelihood that many of those deserted farms would either be temporarily set aside or perhaps even permanently abandoned because they would be uneconomic.

In other words, from a situation of food surplus, Europe could quickly swing to shortage – not a happy prospect with 320m mouths to feed three times every day.

Economists who advocate the removal of farm support say that this is part of the price we must pay to bring down agricultural expenditure. They go on to assert that, as production declines, market prices will rise and that, in turn, will encourage production to rise again; that the whole system of supply and demand will, in fact, be self-correcting.

May I point out to those economists that such a system would be fine for me as an established farmer. I could ride out the bad years and cash in during the good years. I would increase and decrease production according to the ups and downs of the market, and, within reason and with the help of my bank, I could probably tolerate the swings and cycles in production and price, which could, of course, last several years.

I have to ask, however, how consumers would fare? Indeed, how would governments, faced with fluctuating food availability and prices, explain away the reasons to the electorate? Unlike new cars or TV sets, the purchase of which can be delayed for a year or two if necessary, food is essential every day and it is the Government's duty to ensure that it is always available at reasonable prices.

That is why I believe the Houston agreement was long on rhetoric but short on reality. Governments cannot opt out of their responsibility in case the economist's dream became the consumer's nightmare.

And that is also why I foresee little hope of agreement in the current Gatt Round. When it comes to the crunch, governments will not dare do what their leaders have promised.

That does not mean, however, that the negotiators in Geneva this week should pack up and go home. They can and should encourage participating countries to improve and refine present systems of farm support around the world to ensure fair returns to farmers, while at the same time managing the supply of food to desirable levels and no more. They should also agree to stop dumping food onto world markets at below the cost of production – which has caused so many problems to developing countries.

But for countries with high density populations, like those in the EC, it would be irresponsible to agree to pull out of the management of food supplies. Frankly, even if they did, the treaty would not last. For, as soon as the next crisis occurred, they would have to interfere in the market again. As a farmer, I wish it were not so. As a consumer, I see no alternative.

Aluminium forecast to maintain competitive edge

By Kenneth Gooding, Mining Correspondent

ALUMINIUM'S competitive position against copper, steel and plastics is better now than for most of the last decade, and even when prices recover the metal should hang on to most of its competitive edge, says the Anthony Bird consultancy group.

Bird, in its Aluminium Analysis, suggests that, as a result, the acceleration in aluminium demand in 1991 and 1992 will be sustained for some time.

However, in the short term, because aluminium-using industries have slowed down, Bird predicts that primary aluminium consumption this year will slip by 0.5 per cent to 14.48m tonnes.

In 1991 a 4.4 per cent rise to 15.11m tonnes is forecast, followed by one of 4.5 per cent to 15.8m tonnes in 1992.

Bird suggests there will be a deficit of production compared with demand each year to 1992. In that year output is forecast to be 15.2m tonnes, up from 14.57m tonnes in 1991 and 14.15m tonnes this year.

"The general rate of increase in (primary aluminium production) capacity is well below what will be needed to satisfy growing demand and to provide for the retirement of older smelters," the report adds.

"This means further periods of supply tightness in the future. It is possible that higher metal exports from eastern Europe may help for a while, but not indefinitely."

Bird says that market conditions will tighten again by 1991, pulling prices up. "For a time prices are likely to move significantly ahead of their cost-justified level; although we do not expect a repetition of the 1988 shortages."

It would be possible for a new aluminium smelter to be profitable today at a metal price of 75 to 78 cents a lb and that is where prices might be expected to settle in the medium term. However, Bird admits that such estimates are very sensitive to exchange rate changes and "given the aluminium industry's reluctance to invest in new smelter capacity, actual prices may have to stay ahead of this benchmark figure, perhaps for some years, to encourage the necessary investment to take place."

Aluminium Analysis. Quarterly; £430 a year from Anthony Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, England.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD rose sharply on the London bullion market yesterday, and Comex prices were well ahead by midsession. The rise was sparked by shortcovering and light Middle Eastern buying in the morning, followed by prospects of an easier dollar and knock-on effect from the fall in share prices in the afternoon, London traders said. "We're now finding resistance at $369 (a fine ounce) and support at $364...that'll replace the $359/$363 range," one dealer said. On the LME copper prices closed steady as early gains were wiped out, partly because of selling related to the fall in equity markets. Today's LME stock figures are expected to show a further rise of 10,000 to 15,000 tonnes. Nickel prices were also steady, recovering early losses following news that the SLN strike in New Caledonia had been resolved. Dealers said there was still some concern that furnaces may have been damaged during the strike. Aluminium prices eased in quiet trading, although the market is watching for news from the continuing labour talks at Alcan's Kitimat smelter. Sugar prices were well down at midsession in New York as commission house and fund selling triggered sell stops.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.80-6.90y	+.525
Brent Blend	$19.25-9.30y	+.575
W.T.I. (1 pm est)	$20.53-0.55y	+.525

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$260-262	
Gas Oil	$172-173	+2
Heavy Fuel Oil	$73-76	+0.5
Naphtha	$162-164	+1
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$368.25	+7.00
Silver (per troy oz)♣	492c	+4.00
Platinum (per troy oz)	$480.65	+6.35
Palladium (per troy oz)	$116.70	+0.45
Aluminium (free market)	$1555	-10
Copper (US Producer)	125.0c	-4.5
Lead (US Producer)	50.0c	
Nickel (free market)	455c	-5
Tin (Kuala Lumpur market)	16.10r	
Tin (New York)	284c	+1
Zinc (US Prime Western)	87.5c	
Cattle (live weight)†	105.17p	-1.72*
Sheep (dead weight)†	141.47p	-17.6*
Pigs (live weight)†	83.25p	-12.3*
London daily sugar (raw)	$290.0z	+3.6
London daily sugar (white)	$379.0z	+2.0
Tate and Lyle export price	£270.0	+1.5
Barley (English feed)	£109.5	
Maize (US No. 3 yellow)	£156.5	
Wheat (US Dark Northern)	Unq.	
Rubber (Aug)♥	51.50p	
Rubber (Sep)♥	52.00p	
Rubber (KL RSS No 1 Aug)	232.5m	
Coconut oil (Philippines)§	$300z	
Palm Oil (Malaysian)§	$270	
Copra (Philippines)§	$195w	-15
Soyabeans (US)	£150.0	-3.0
Cotton "A" index	80.55c	-0.05
Wooltops (64s Super)	474p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct. t-Jul/Aug. u-Oct/Dec v-Jun/Jul. w-Aug z-Aug/Sep y-Sep. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	252.20	258.60	259.40 250.00
Oct	250.80	257.60	258.80 246.00
Dec	255.00	257.00	257.00 245.00
Mar	240.80	247.00	248.00 235.80
May	241.40	249.00	249.00 236.60
Oct	241.00	247.20	248.00 243.00

White	Close	Previous	High/Low
Oct	312.0	321.5	320.0 309.0
Dec	306.5	316.5	314.0 302.5
Mar	306.5	316.0	314.6 302.0
May	308.5	317.0	315.0 304.0
Aug	312.5	320.0	319.0 318.5
Oct	302.7	311.0	309.0

Turnover: Raw 2335 (3330)lots of 50 tonnes. White 852 (3440)
Paris- White (FFr per tonne): Oct 1760, Dec 1735 Mar 1745, May 1790, Aug 1785

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Sep	19.28	18.75	19.30 18.85
Oct	19.41	18.88	19.42 19.10
Nov	19.52	19.00	19.35 19.22
Dec	19.35	18.90	19.35 19.23
IPE Index	18.69	18.50	

Turnover: 12138 (8665)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
Aug	171.75	170.25	172.75 170.75
Sep	172.75	171.00	174.50 171.75
Oct	174.75	173.75	176.00 174.00
Nov	177.00	175.25	177.50 175.50
Dec	177.50	176.25	178.25 176.00
Jan	177.25	174.50	178.75 175.50
Apr	163.00	167.00	163.00

Turnover 11854 (7390)lots of 100 tonnes

TEA

There were 23,877 packages on offer at this weeks auction including 4,600 offshore, reports the Tea Brokers' Association. There was a better demand. Best liquoring East Africans and medium sorts, met improved competition at fully firm to dearer rates with dusts a good feature throughout. Selected colour Central Africans were several pence dearer but plainer types were again weak. Ceylons opened steady but tended easier at the close. Offshore teas were well supported at firm to dearer rates apart from the plainest. Quotations: quality 300p nominal (290p), medium 135p (130p), low medium 70p (70p).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Jul	746	737	746 743
Sep	762	755	764 746
Dec	789	784	794 779
Mar	819	813	823 812
May	838	832	841 837
Jul	857	852	861 857
Sep	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

GRAINS – BFE (£/tonne)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 13,740 lots	
Cash	1561-3	1555-7		1553-4		
3 months	1584-5	1587-8	1589/1583	1586-7	1583-4	41,759 lots
Copper, Grade A (£ per tonne)					Total daily turnover 18,093 lots	
Cash	1493-5	1492-4	1517/1516	1515-7		
3 months	1473-4	1469-70	1495/1470	1490-1	1472-3	83,817 lots
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON BULLION MARKET

[illegible]	[illegible]	[illegible]

TRADED OPTIONS

[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	20.46	20.08	20.60	20.15
Oct	20.89	20.42	20.98	20.53
Nov	21.10	20.62	21.18	20.76
Dec	21.16	20.72	21.25	20.78
Jan	21.22	20.78	21.25	20.80
Feb	21.22	20.79	21.25	20.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

New York

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	591/0	591/0	592/2	579/6
Sep	595/4	595/2	596/4	583/0
Nov	605/4	602/2	608/4	591/0
Jan	617/0	613/6	617/4	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Sharp reversal stems from New York

AN INDECISIVE UK stock market had its mind made up for it brutally in late trading yesterday, when an early sharp reversal on Wall Street sent share prices spinning downwards in London.

The FT-SE Index swung from a two-point gain to a 47-point loss within an hour, although there was little time to sell stock in a session marked throughout by abysmally low trading.

London appeared shell-shocked at the close, and although shares tried to rally when New York steadied briefly, another downwards move on Wall Street was enough to return London almost to the day's low point.

Account Dealing Dates		
First Dealings:		
Jul 9	Jul 23	Aug 6
Option Declarations:		
Jul 19	Aug 2	Aug 16
Last Dealings:		
Jul 20	Aug 3	Aug 17
Account Day:		
Jul 30	Aug 13	Aug 28

*New-time dealings may take place from 8.30 am two business days earlier.

The final reading showed the FT-SE Index at 2,359.7, a net loss of 40.4 points after a highly volatile session. The market was down 15 Footsie points in early trading, although the warning signs from a heavy fall in the Dow Industrial Average on Friday night were not heeded.

Shares began to rally a few minutes after the Seaq network was switched on and the market was only four points off as it awaited the announcement of the UK trade figures for June. The trade deficit of £1.36bn was in line with most City forecasts and the equity market, taking its courage from a steady performance by sterling, edged higher, recapturing the 2,400 territory on the FT-SE scale.

Footsie 2,400 was held until London traders began to catch the whiff of brimstone from their New York colleagues and once Wall Street's slide got under way. UK share prices crumbled, led by the international blue chips which were hurriedly marked down in an attempt to ward off sellers from across the Atlantic. At worst the Footsie was 47.6 points down, with the trading screens filled with red as almost every stock in the FT-SE 100 list was hurriedly marked down by anxious marketmakers.

The response from London market operators was more of resigned acceptance of Wall Street's woes than of shock. There was no heavy selling: turnover in London was unimpressive, barely 200m shares ahead of Wall Street's opening and only 369.8m at the close.

The delayed figures for Friday showed a Seaq total of 437.6m shares.

Mr Ian Harnett, chief economist at Strauss Turnbull said that while Wall Street may be overvalued, at least on a prospective share earnings basis, its reaction yesterday may prove to have been overdone.

At BZW, Mr Bill Smith commented that "some of the froth has been taken out of the New York market." But he believes that the UK market is perceived as better value than Tokyo and New York, especially by non-UK investors who are likely to be attracted by expectations that UK inflation will soon begin to fall.

FINANCIAL TIMES STOCK INDICES

	July 23	July 20	July 19	July 18	July 17	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	79.43	N/A	79.30	79.36	79.49	84.34	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	86.23	86.05	86.07	87.99	87.75	94.94	92.91 (3/1)	83.85 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1857.1	1898.1	1888.7	1900.6	1912.9	1872.9	1969.3 (3/1)	1653.9 (30/4)	2008.6 (5/6/89)	49.4 (26/6/40)
Gold Mines	182.6	181.9	181.2	178.4	181.7	183.2	378.5 (6/2)	167.9 (15/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2359.7	2400.1	2387.3	2402.0	2415.0	2259.1	2463.7 (5/1)	2103.4 (30/4)	2463.7 (5/1/90)	986.9 (23/7/84)
Ord. Div. Yield	4.96	4.88	4.91	4.88	4.85	4.31				
Earning Yld %(full)	10.93	10.76	10.81	10.74	10.68	10.03				
P/E Ratio(Net)(*)	11.10	11.27	11.21	11.29	11.36	11.94				
SEAQ Bargns 4.45pm	23,926	N/A	25,533	26,634	30,924	26,173				
Equity Turnover(£m)†	-	905.89	924.85	1725.28	985.72	1285.12				
Equity Bargains†	-	27,933	26,399	32,820	30,716	30,046				
Shares Traded (ml)†	-	364.1	405.6	674.1	396.7	488.4				

Basis 100 Govt. Secs 15/10/26, Fixed Int 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 10.96

Ordinary Share Index, Hourly changes — Day's High 1906.3 — Day's Low 1863.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1887.2	1889.6	1895.9	1894.8	1900.6	1903.3	1903.3	1901.7	1869.6

FT-SE, Hourly changes — Day's High 2408.3 — Day's Low 2352.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2384.5	2388.7	2396.9	2395.8	2401.0	2406.2	2404.3	2399.1	2358.1

GILT EDGED ACTIVITY

Indices	July 20	July 19
Gilt Edged Bargains	77.3	81.5
5-Day average	87.3	91.1

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001.

More bid support for RHM

RANKS HOVIS McDougall was one of the few FT-SE Index stocks showing a gain after it announced an asset disposal and responded to revived bid hopes. RHM began strongly after saying it had sold its breakfast cereals businesses for £97m. A disposal had been discussed in the market, but analysts said the terms of the deal were good and RHM moved 4 higher to 345p.

The rally continued after the Anglo Group said it would offer its shareholders RHM stock. Anglo owns 35 per cent of Sunningdale, the investment consortium run by Sir James Goldsmith, which in turn controls a 29.9 per cent stake in RHM. If all the participating share and bondholders take up the offer, Sunningdale's stake in RHM will be reduced to 26.8 per cent.

RHM moved a further 2 up to 347p. Anglo said it did not regard its reduced stake as "a passive investment" and analysts considered that a bid was still possible. "This is being done for the minority shareholders and does not give us any sensible clue as to what they (Sunningdale) might do," said Mr William de Winton of Hoare Govett.

L&G out of favour

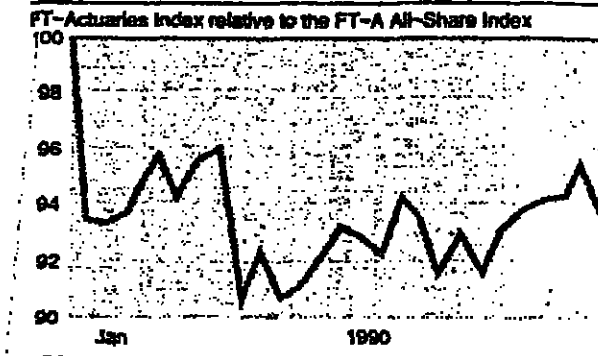
A downgraded profits forecast by UBS Phillips & Drew put Legal & General shares under pressure even before the US-induced slide by the overall market. Mr Youssef Ziai, life assurance specialist at UBS, lowered his current year forecast of pre-tax profits at Legal from £130m to £110m and shaved his dividend estimate from 18.3p to 18.2p.

The UBS analyst said there were three reasons for his estimates. Firstly, Legal's mortgage guarantee insurance had suffered from the large number of house repossessions caused by high interest rates. Mortgage guarantee insurance underwrite the shortfall in resale prices resulting from repossessions. Mr Ziai said figures to be released soon by the Building Societies Association would show that the number of mortgages in arrears of six months or more is up 50 per cent and that repossessions at some societies are twice last year's levels.

Secondly, UBS expects subsidence claims to be as bad as last year and said that rainfall in the UK is currently below that of 1989. Thirdly, Legals is being hit by its motor insurance business where, he said, claims frequency is up 10 per cent and costs by 15 per cent, against premium increases of only 5 per cent. "The market is too complacent or too ignorant about what is happening," said Mr Ziai. By the close, Legal & General shares were 5 down at 426p on turnover of 1.1m.

Insurance composite

FT-Actuaries Index relative to the FT-A All-Share Index



The composite insurance sector continued to lose ground yesterday as investors grew more nervous about the forthcoming interim reporting season. This kicks off next month with results from Commercial Union and General Accident. Royal reports on August 16, Guardian Royal on August 30 and Sun Alliance on September 5. Smith New Court said Commercial Union "will probably be the only composite to produce an interim profit."

Hawthorn pressured

Hawthorn Leslie, the USM-listed manufacturer and distributor of electronic goods, remained under pressure and sank to a new low of 14p, down 3¼. A trader said there was constant selling on a market which appeared to be adequately supplied with stock. However, Laing & Cruickshank visited the company recently and found nothing wrong with its trading performance.

L & C researcher Mr Stephen Brazier said yesterday he was quite content to stay with his forecast that Hawthorn Leslie would make profits of £7.5m this year, compared with £4.6m last time. He believes current sentiment is associated with beleaguered Fairbriar, the housebuilder; interests of Mr Remo Dipre, chairman of both concerns, own around 65 per cent of Hawthorn Leslie and Fairbriar.

Press reports that Hanson had been in talks with the UK Government about buying PowerGen, one of the two generating companies in England and Wales to be sold, provided early support. Hanson eventually fell back with the rest of the market to close 6¼ lower at 233p. Analysts said Hanson's acquisition record had prompted the market to give the company the benefit of the doubt. However, they also commented that further information about any such deal would be needed before they could assess the implications for Hanson. One analyst remarked: "I can see some reasons why it may make sense, particularly with its own coal interests. However, PowerGen will be a more regulated company than the kind Hanson normally buys, which makes it surprising."

The clearing banks were broadly lower as scare stories emanating from the US regarding savings and loans banks upset sentiment in London. NatWest, which released disappointing results from its US subsidiary, held up well, closing only a shade off at 334p. But Barclays fell 11 to 397p.

Life assurance group Prudential declined 5 to 236p on heavy turnover of 8.1m.

The oil majors continued to outperform the wider market, with more buying stimulated by the latest improvement in crude oil prices. September Brent moved easily through the $19 a barrel mark, with oil sector observers expecting it to go better still ahead of Wednesday's meeting of Opec's market monitoring committee in Geneva. The full meeting of Opec oil ministers gets under way on Thursday.

British Gas, quoted ex-dividend, settled 3¼ easier at 217p on turnover of 14m shares, while BP were 1¼ off at 333p on 9.1m and Shell only 2 cheaper at 482p on 3.4m.

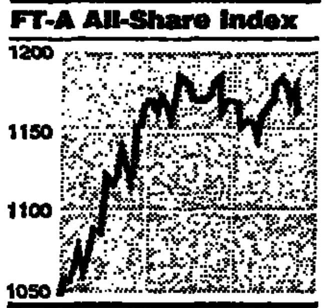
Lasmo, scheduled to report interim figures tomorrow, advanced 12 to 434p, responding to a visit by institutions to its Ninian operations in the North Sea last Friday.

Burmah held the limelight for much of the session, touching 682p before closing a net 4 up at 672p. Traders said the stock was boosted by switching into the stock from Ultramar, and also on a rather unconvincing story that SHV, the Dutch group, may have been back into the market to add to its 9.14 per cent holding.

TI Group was one of few Alpha stocks to resist the despondency, rising 10 to 528p. Turnover was heavier than normal and dealers thought buyers were looking for good interim figures when the company reports on Thursday week. Estimates of likely profits are sketchy, but those for the full year are in a tight range of mid-£130m.

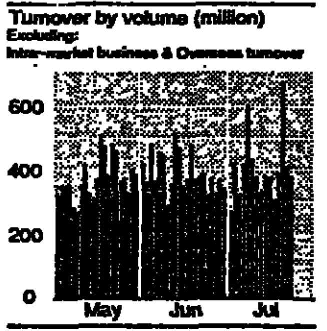
Tomkins was quoted ex-dividend at 271p with the new nil-paid units at 24p premium. Flemings Research believes that the positive view now held of the company will give it the rerating it has long deserved. "Tomkins risk adverse, asset backed approach to business will be increasingly valued as UK-quoted companies continue to face a difficult trading environment throughout 1990," said Flemings.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Positive advice from County NatWest on prospects for motor shares, particularly leading automotive component manufacturers GKN and Lucas Industries, fell on barren ground. The former eased 3 to 399p, while Lucas, said by marketmakers to be the subject of a Cazenove downgrading, dipped 6 to 146p.

Leading breweries displayed gains ranging to 10 before retreating to end the session lower on balance. Only Matthew Clark, the wines and spirits distributor, was able to hold on to a rise. The shares pushed further ahead to 370p, before closing 10 up on the day at 365p, in spite of County NatWest being less positive on the stock than BZW; the latter initiated the rise in the shares last Friday by changing its rating from hold to buy.

The team at County takes a neutral long-term view on Matthew Clark, although it believes that the dual factors of anticipated lower earnings this year and the company's vulnerable position as an independent brand distributor have both been fully discounted.

ICI was one of a number companies with strong overseas earnings which was hit by the fall on Wall Street. It fell 16½ to 1136p. Dealers said the market was also preparing for the release of its interim results on Thursday. Mr Martin Evans of Barclays de Zoete Wedd said difficult economic conditions, particularly in the UK, would reduce interim profits to £800m from £925m last year.

Misys, the computer group scheduled to announce preliminary figures tomorrow, moved up 5 to 180p after revealing it has won a "major" contract, worth some £4.3m, to develop and supply computer software to 19 universities.

Analysts are expecting Misys to announce pre-tax profits of around £11m, compared with the £5.8m achieved last year.

Better-than-expected full year numbers from Menvier-Swain, which specialises in emergency lighting and fire alarm products, triggered good demand for the shares, which advanced 12 to 365p.

The Racal "twins" were under pressure, Telecom especially after the steep decline on Wall Street. Telecom settled 16 down at 339p, while Electronics were 5 off at 203p. Smith New Court shaved £11m off their current year expectation for Electronics, down from £305m to £294m, to reflect a similar reduction in their estimate for Telecom, which is reduced to £250m. Smith's Tim Hirst said the reductions were made to reflect a slight slowing in the rate of growth at Telecom and also caution over new car sales in August. But Tim Hirst of Smith's electronics team emphasised that Smith still say the Racal twins "represent good long-term value."

Thorn EMI were among the market's worst performers from the outset and eventually settled 24 off at 735p, after 728p, on 2.2m. Specialists said the sharp fall reflected nervousness over the group's music publishing business, and that a cautious statement is expected at the group's annual meeting, scheduled for Friday.

P&O responded initially to advice from Warburg Securities that the longer term "scale of recovery (in the shares) could be enormous." The investment bank said: "Adverse sentiment towards the housing and property content within P&O has led to underperformance over the past 18 months. We now believe it is right to buy this stock on a two-year view." The shares rose to 649p but succumbed later to the general market weakness to end slightly easier on the day at 641p.

Hunterprint, savaged on Friday by end-Account sellers, according to dealers, rallied 5 to 22p in a light business.

News that Harvey & Thompson had set up an innovative trade finance business in the US which has "the potential to make a powerful contribution to group earnings in the future" sent the shares forward 13 to 388p.

MITIE jumped 10 to 193p after announcing annual profits some 75 per cent higher than in the previous year.

■ Other Market statistics, including the FT-Actuaries share index, Page 30

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (54).
BRITISH FUNDS (5) BREWERS (1) BUILDINGS (2) STORES (5) ELECTRICALS (2) ENGINEERING (2) FOODS (8) INDUSTRIALS (10) British Vita, Caparo Inds., Fisons, Hadleigh Inds, Halma, Hepworth, MITIE, Schlumberger, Swire Pacific A, Tollgate. INSURANCE (2) LEISURE (2) MOTORS (1) TEXTILES (2) TRUSTS (13) OILS (1).
NEW LOWS (107).
AMERICANS (15) CANADIANS (1) BANKS (3) BUILDINGS (3) STORES (2) ELECTRICALS (8) ENGINEERING (4) FOODS (4) INDUSTRIALS (15) Aukett Assocs., BSG Intl, Black Arrow, CH Inds, Cowan de Groot, Dobson Park, Hawthorn Leslie, Hunting, Intereurope Tech., Lincat, Lincoln House, Rock, Scot. Heritable Tst., Securiguard, Stormgard. INSURANCE (6) LEISURE (8) MOTORS (3) NEWSPAPERS (1) PAPERS (1) PROPERTY (5) SOUTH AFRICANS (2) TEXTILES (2) TRANSPORT (3) TRUSTS (14) WATER (1) OILS (2) PLANTATIONS (2) MINES (5).

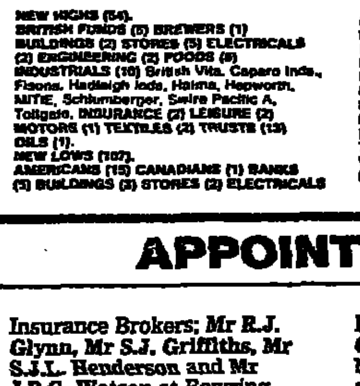
APPOINTMENTS

Cosworth Engineering chairman

VICKERS has appointed Dr Peter Nevitt as chairman of Cosworth Engineering, the high-performance automotive engineering company Vickers acquired at the end of April. Dr Nevitt will take up his post on August 6, replacing Mr Mike Dunn, director of engineering for Rolls-Royce Motors and part-time chairman of Cosworth since its acquisition. Mr Dunn will remain on the Cosworth board as a non-executive director. Dr Nevitt was vice-chairman of Iveco Ford Truck, the joint venture between Ford Motor Company and Iveco Fiat. From 1975-86 he was director of truck operations for the Ford Motor Company, with overall responsibility for trucks and diesel engines.

■ Mr Norman Adsetts, chairman of Sheffield Insulations Group, has been appointed a director of NATIONAL WESTMINSTER BANK's eastern advisory board.

■ C.T. BOWRING & CO (INSURANCE) has made the following director appointments: Mr R.J. Carr at Bowring Aviation; Mr S.E. Bradshaw and Mr T. Humphreys at Bowring Financial & Professional Insurance Brokers; Mr R.J. Glynn, Mr S.J. Griffiths, Mr S.J.L. Henderson and Mr J.P.G. Watson at Bowring Marine & Energy; Mr B.S. Hamilton at Bowring North America; and Miss K.E. Greenwood and Mrs D.S. Heyes at Bowring Worldwide Services.

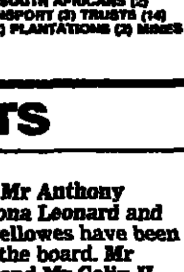


SUN LIFE BROKER SERVICES has appointed Mr Brim Avery *(pictured)* as managing director from September 6. He is deputy managing director, and will succeed Mr Roy Haines who is retiring.

■ COLROY, Liverpool, has appointed Mr John A. Clegg, as a non-executive director chairman. He is chairman of John Clegg & Co.

■ Mr Geoff Robson has been made finance director of WISE SPEKE, Newcastle upon Tyne stockbrokers. Mr Francis Boys-Stones, Mr Anthony Grezo, Ms Fiona Leonard and Mr Charles Fellowes have been appointed to the board. Mr John Becher and Mr Colin H. Reed become directors of Wise Speke Financial Services.

■ WHIRLPOOL FINANCIAL CORPORATION INTERNATIONAL, Chicago, has appointed Mr S. Siva *(pictured)* as executive managing director of its European retailer financing activity, based in London. He was financial controller, major domestic appliances division, Philips.



■ Mr Andrew Thompson, chief surveyor, and Mr Martin Pringle, chief estimator, have been appointed to the board of TAYLOR WOODROW CONSTRUCTION (SCOTLAND).

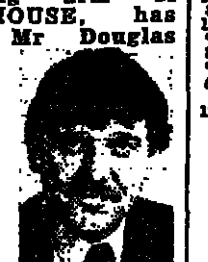
■ UNIT TRUST SOFTWARE has appointed Mr Greg Hirst as managing director. He was marketing director, and succeeds Mr Tony Locke who has resigned but who will remain on the board as a consultant, concentrating on the programming and technical side.

■ Mr Michael McGuire has been appointed general manager of the PRINCIPALITY BUILDING SOCIETY, Cardiff. He joined the society in 1985 from the insurance industry and was made assistant general manager the following year. Mr Andrew Bird, Mr Brian Kultschar and Mr William Mayne have been appointed assistant general managers.

■ Mr John Ross has been appointed group financial controller of TRAFALGAR HOUSE. He has worked for British Gas, Britoil and BP.

■ BRITISH SUGAR has appointed Mr Harvey Davneport as director, agriculture and purchasing. He was director of operations services. His new role will include the annual negotiation of the sugar beet contract with the National Farmers Union.

■ Mr Joe McGrane *(pictured)* has joined Charterhouse Development Capital as director of its Edinburgh office. He was a director of 3i. Charterhouse Tilney, stockbroking arm of CHARTERHOUSE, has appointed Mr Douglas Falconer to the corporate finance department covering the utilities sector from August 6. He was corporate finance manager, Seymour Pierce Butterfield. Charterhouse is a subsidiary of The Royal Bank of Scotland.



LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

1990 High	1990 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS—Contd

Index-Linked

1990 High	1990 Low	Stock	Price £	+ or -	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for November 1989: 118.5 and for June 1990: 126.7.

INT. BANK AND O'SEAS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CORPORATION LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LOANS

Building Societies

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Public Board and Ind.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOREIGN BONDS & RAILS

1990 High	1990 Low	Stock	Price £	+ or -	Div. %	Red. Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS

1990 High	1990 Low	Stock	Price	+ or -	Div Gross	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

AMERICANS—Contd

1990 High	1990 Low	Stock	Price	+ or -	Div Gross	Cvr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

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LONDON SHARE SERVICE

BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
93	68	Ansbacher (H.) 1p	90	–3	2.5	1.3	3.7	25.9
£71¾	£54½	Bancaire Cie Fr100	£58	–½	M12½%	–	2.3	–
£22⅞	£16⅝	Banco Bilbao Viz	£19½	......	Q49.1%	2.7	4.3	12.6
£31	£24¼	Banco de Santander	£29	......	Q25%	2.4	3.8	10.8
286	214	Bank Ireland Ir£1	220	–7	Q14.7%	2.9	6.3	7.3
£19½	£18	Bank Leumi	£19½	......	–	–	–	–
350	320	Bank Leumi (U.K.)	350	......	†13.5	–	4.8	–
125	104	Bank Scotland	116	–1½	4.55	3.3	5.2	7.7
100¼	83¾	Do. 9¼pc Irrd Pf	97½	+1½	9¼%	–	12.6	–
54	39	Bank of Wales	52	......	2.8	0.8	7.2	(25.0)
428	352	Barclays £1	397xr	–11	h19.57	3.5	6.6	5.5
22	12	Benchmark 20p	14	......	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	310	......	12.0	2.2	5.2	10.0
•435	341	Cater Allen £1	367	......	N24.5	–	8.9	–
179	112	Chancery	114	–3	9.0	2.7	10.5	4.6
£23¾	£18½	Commerzbk DM10	£20½	–½	Q18%	–	3.1	–
£13½	842	Dai Ichi KBk Y50	870	–19	Q17%	♦	0.4	♦
•£31⅞	£261	Deutsche Bk DM50	£275½	–6½	Q28%	–	1.7	–
£20⅞	£18½	Espirito Santo	£18½	+⅛	Q75c	5.1	2.4	–
253	183	First Nat. Fin. 10p	208	–2	13.0	2.1	8.7	6.9
121	96	FNFC 6.3pc Cv. Pf	100	–1	6.3%	–	8.4	–
£13½	913	Fuji Bank Y50	913	–32	Q17%	♦	0.3	♦
325	262	Gerrard & National	294	–1	19.0	–	8.6	–
154	122	Guiness Mahon 10p	122	–1	2.1	–	2.3	–
328	223	Hambros 20p	263	–3	11.5	–	5.8	–
128	93	Do. 7.5pc Cv Pf	112	......	7½%	–	8.9	–
53½	42	HK & Shang. HK$2.50	43	–2	hQ38c	–	6.3	–
478	458	Joseph (Leo) £1	463	......	15.85	♦	4.7	♦
150	126	King & Shaxson 20p	140	......	10.25	–	9.8	–
422	340	Kleinwort Benson Grp.	372	–3	16.0	2.5	5.7	9.4
642	402	Kyowa Bank Y50	423	–6	Q14%	♦	0.7	♦
316	242	Lloyds £1	296	–6	13.3	2.6	6.0	6.9
56	44	Lon. Scot. Bank 10p	51	......	†2.4	1.9	6.3	10.1
404	271	Midland £1	297	–5	18.0	2.6	8.1	6.2
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	......	Q17%	♦	0.3	♦
£12¾	£6⅞	Mitsubishi Tst & Bk Y50	£6⅞	–⅛	Q17%	♦	0.5	♦
£10⅝	£7⅜	Mitsui Taiyo Kobe Y50	£7⅜	–⅜	†Q16%	6.0	0.4	43.8
904	558	Mitsui Tst & Bk Y50	573	–9	Q17%	♦	0.6	♦
326	279	Nat Aust. Bk. A$1	296	–1	sQ50c	1.6	7.6	8.1
368	299	NatWest £1	334	–1	16.7	3.3	6.7	6.1
£210	£185	Ottoman Bank	£185	......	Q110%	2.8	5.9	6.0
55	39	Rea Bros. Group	43	–2	0.5	3.4	1.6	20.6
200	140	Rothschild (J) Hldgs.	149	–3	10.0	1.1	8.9	13.0
227	149	Royal Bk. Scotland	167	–4	†7.2	3.8	5.7	5.9
795	424	Saitama Bank Y50	493	+6	Q14%	♦	0.5	♦
£12¼	785	Sanwa Bank Y50	785	–5	Q17%	♦	0.4	♦
902½	712½	Schroders £1	788	–5	h12.5	5.9	2.1	10.6
712½	537½	Do. £1 N/V	583	–5	h12.5	5.9	2.9	7.9
£25¼	£19⅞	Sec. Pacific $10	£19⅞	–⅜	Q$1.96	–	5.8	–
616	434	Standard Chartd. £1	434	–5	35.0	1.4	10.8	(8.1)
£16¼	£8⅞	Sumitomo Bank Y50	£8⅞	–⅜	†tQ16%	7.5	0.3	41.4
£11	£6⅜	Sumitomo Tst & Bk Y50	£6½	–⅜	Q17%	♦	0.5	♦
147	121	TSB	140	–4	†5.8	2.5	5.7	8.9
175	126	TSB Bank (Ch'nel Is)'	155	–2	†Q6.7	3.5	4.3	7.7
£11¾	£5⅞	Tokai Bank Y50	£6½	–¼	Q16%	4.1	0.5	49.0
920	605	Toyo Tst & Bk Y50	649	–20	tdQ15.2%	6.9	0.4	31.2
611	532	Union Discount £1	569xd	–3½	33.0	–	7.7	–
525	398	Warburg (S.G.)	420	–2	15.0	3.8	4.8	7.3
180	133	Do 6pc Cnv Prf	145	+1	6%	–	5.5	–
279	204	Westpac $A1	229	......	Q52.5c	1.5	10.8	6.1
420	373	Wintrust 20p	388	......	†7.8	–	2.7	–
969	574	Yasuda Tst & Bk Y50	670	–22	Q17%	♦	0.5	♦

Hire Purchase, Leasing, etc.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
355	173	Anglo Grp. 10p	173	......	5.5	4.4	4.3	5.5
£128½	£74½	Do. 9½pc 1999	£74½	......	9½%	–	12.8	–
175	78	CLF Yeoman 50p	80	......	Q18.5%	3.2	11.5	3.6
71	60	Cambridge Grp Ir5p	68	......	Q7½%	♦	0.5	♦
55	25	Capital Leasing Ir 10p	29	......	tdQ32%	3.5	3.8	6.8
68	50	Cattle's (Hldgs) 10p	60	–1	3.58	1.9	7.9	8.6
426	367	Prov. Financial	415	......	20.5	2.0	6.6	10.0
235	180	Reflex Invs. Ir5p	184	–10	Q81%	7.9	1.4	12.5
225	199	Secure Trust Grp. 1p	212	......	8.5	2.4	5.3	10.5
210	178	Woodchester IR20p	193	–1	Q16.7%	5.9	1.6	13.6

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
120	81	Shermines 2½p	88	......	Q22.2%	4.6	6.0	4.7
258	219	Sinclair (Wm.)	233	......	†5.25	2.8	3.0	15.5
•374	132	Sketchley	140	–6	6.5	♦	6.2	♦
137½	102	Smith & Neph. 10p	117½	–1½	4.25	1.6	4.8	13.7
631	460	SmithKline Beecham A	558	–10	W11.6	2.7	2.7	18.3
2788	2098	Do. Equity Units	2525	–45	–	–	–	18.4
298	218	Smiths Inds. 25p	223	–3	18.9	2.9	5.3	8.8

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

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MOTORS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST — Contd

INVESTMENT TRUST — Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

MINES — Contd

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ‖ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to-date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. γ	830	......
Finlay Pkg. 5p.... γ	51	......
Holt (Jos) 25p..... γ	1310	......

IRISH

Cap 8½% Ln. 1991	£90¼	......
9pc Cap Ln. 1996..	£96¾	−⅛
Fin. 13% 97/02...	£112¼	......
Arnotts.........	200	−5
Carrol (P.J.).......γ	126	+2
Hall (R. & H.).......	185	......
Helton Hldgs.......γ	78	+4
IRG..............	195	−10
United Drug.......	155	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	7
Astec (BSR)	6
BAT	62
BOC Grp.	48
BTR	37
Barclays	34
Blue Circle	21
Boots	24
Bowaters	40
Brit Aerospace	47
British Steel	13
Brit. Telecom	25
Cadburys	30
Charter Cons	42
Comm Union	41
Courtaulds	29
Eurotunnel	55
FKI	7
FNFC	20
Gen Accident	46½
GEC	18
Glaxo	68
Grand Met	53
Guardian	20
GKN	33
Hanson	20
Hawker Sidd	53
ICI	99
Ladbroke	27
Legal & Gen	34
Lex Service	28
Lloyds Bank	25
Lucas Inds	13
Marks & Spencer	19
Midland Bk	24
Nat West Bk	30
P & O Dfd	52
Polly Peck	39
Racal Elect	19
RHM	30
Rank Org Ord	70
Reed Intnl	38
STC	21
Sears	9
SmKl. Beecham A	48
TI	39
TSB	11
Tesco	19
Thorn EMI	62
Trust Houses	24
T&N	18
Unilever	58
Vickers	19
Wellcome	57

Property

Brit Land	32
Central Secs	4
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Aviva Petlm	5
Brit Petroleum	28
Burmah Oil	55
Conroy Petlm	10
Gaelic Res	3½
Premier	9
Shell	40
Tuskar Res	5½
Ultramar	31

Mines

Lonrho	21
RTZ	50

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

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AUTHORISED UNIT TRUSTS

Premium Life Unit Tst Mngrs Ltd (1400)F
37 Perrymount Rd, Haywards Heath 0444 458721

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Monthly Income	6	47.25	48.95	51.87	+0.34	4.74

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Principal Tst	5¼	97.88	99.83	106.21	-0.71	3.90

Prolific Unit Tst Mngrs Ltd (1100)F
222 Bishopsgate, London EC2 071-247 7544/7

Scimitar Unit Tst Mngrs Ltd (1200)F
22 Billiter Street, EC3A 2BE 071-702 9974/5/6

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Global Gwth Acc	5½	43.33	43.33	45.92	-0.04	0.19
Do Income	5½	42.87	42.87xd	45.44	-0.03	0.19
European Acc	5½	34.82	34.82	36.90	+0.17	0.11
Do Income	5½	34.18	34.18	36.23	+0.17	0.11
UK Eqty Inc Acc	5½	43.72	43.72	46.34	+0.02	6.14
Do Income	5½	37.27	37.27	39.50	+0.02	6.14
UK Cap Gwth Acc	5½	29.12	29.12	30.86	+0.16	0.10
Pac Basin Acc	5½	39.32	39.32	41.67	-0.04	0.75
Mngd Exempt Acc	3	189.09	190.79	198.74	+0.14	2.00
	3	181.37	186.96	194.75	+0.14	2.00

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
(Accum Units)	6	66.29	66.82	71.46	+0.18	2.98
Capital	6	107.7	107.7xd	115.2	+0.1	2.57
(Accum Units)	6	158.5	158.5	169.5	+0.1	2.57
European Growth	6	160.5	160.5xd	171.0	+0.1	0.82
(Accum Units)	6	197.9	197.9	210.9	+0.2	0.82
Extra High Inc	6	64.53	65.79xd	70.36	+0.3	7.22
(Accum Units)	6	94.17	96.02	102.7	+0.5	7.22
Gilt & Fxd Int	4	47.46	47.46xd	49.57	+0.14	9.60
(Accum Units)	4	102.0	102.1	106.6	+0.3	9.60
High Yield	6	200.7	203.8	218.0	+0.8	5.60
(Accum Units)	6	406.9	413.3	442.0	+1.7	5.60
Income	6	247.3	251.1	268.6	+1.1	4.54
(Accum Units)	6	455.4	462.5	494.6	+2.0	4.54
Intl High Sc UT	6	59.61	59.61	63.75	-0.18	1.49
(Accum Units)	6	61.86	61.86	66.16	-0.17	1.49
Japan Growth	6	319.6	319.6	341.9	-4.5	0.00
(Accum Units)	6	335.9	335.9	359.3	-4.8	0.00

Phillips & Drew Unit Managers Ltd (1400)F
14 Finsbury Square, London EC2A 1PD 071-628 6070

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Charities Fxd Int June 20	¼	96.16	96.16	96.53	----	10.4
Charities Intl Ute June 20	¼	100.2	100.2	100.6	----	2.6
UK Exempt July 19	¼	105.3	105.3	107.6	----	5.7
Charities Intl July 20	¼	119.8	119.8	121.9	----	2.7

Pilgrim Unit Trust Mngmt Ltd (0830)F
39 Pilgrim Street, Newcastle upon Tyne NE1 6RQ
Administration & Dealing:
Unit Trust Accounting & Management Ltd
1 White Hart Yard, London SE1 1NX 071-407 5966

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	6	46.21	46.69	49.68	-0.04	0.40
European	6	46.77	47.01	50.01	-0.03	0.00
Global	6	46.74	46.85	49.85	-0.02	0.5
Pacific	6	46.90	47.01	50.01	-0.01	0.00
UK Income & Growth	6	47.17	47.17	50.00	----	0.4

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent reports and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or −	Yield Gross
NUAM Funds				
Managed Fund	67.6	71.2	----	–
Stock Market Mngd Fund	66.3	69.8	−0.1	–
Equity Fund	72.3	76.1	+0.2	–
International Fund	61.5	64.7	−0.4	–
European Fund	74.6	78.5	−0.2	–
North American Fund	59.5	62.7	−0.4	–
Pacific Fund	66.1	69.6	−0.6	–
Property Fund	87.1	91.7	+0.1	–
Fixed Interest Fund	51.4	54.1	----	–
Index linked Sec Fund	57.1	60.1	----	–
Deposit Fund	64.0	67.4	----	–
NUAM Retirement Plans				
Mixed Fund	73.6	77.5	+0.1	–
UK Ordinary Share Fd	84.6	89.1	+0.4	–
International Fund	65.1	68.5	−0.4	–
Property Fund	85.7	90.2	+0.1	–
Fixed Interest Fund	60.8	64.0	+0.1	–
Index Linked Sec Fund	60.1	63.3	----	–
Deposit Fund	73.6	77.4	+0.1	–
NUAM (GNF)				
Managed Fund	953.5	1003.7	+0.1	–
Equity Fund	1980.4	2084.7	+5.8	–
International Fund	162.2	170.8	−1.0	–
Property Fund	550.7	579.7	+0.2	–
Fixed Interest Fund	385.2	405.5	+0.6	–
Index Linked Sec Fund	58.1	61.2	----	–
Deposit Fund	263.1	270.0	+0.2	–

Norwich Union Life Insurance Soc.

Surrey Street, Norwich NR1 3NG 0603 622200

	Bid Price	Offer Price	+ or −	Yield Gross
Unitised Life				
With Profits Fd	102.96	108.37	+0.08	–
Managed Fd	93.28	98.19	−0.14	–
UK Ord Share Fd	95.86	100.90	+0.06	–
International Fd	90.38	95.14	−0.75	–
European Fd	106.37	111.97	−0.24	–
North American Fd	90.52	95.29	−0.69	–
Pacific Fd	83.37	87.76	−0.72	–
Property Fd	99.97	105.23	+0.07	–
Fixed Int Fd	93.07	97.97	+0.08	–
Intl Bond Fd	88.06	92.70	+0.07	–
Deposit Fd	103.55	109.00	+0.10	–
Unitised Pensions				
With Profits Fd	134.72	141.81	+0.16	–
Managed Fd	148.22	156.02	+0.19	–
UK Equity Fd	156.58	164.82	+0.78	–
International Fd	154.48	162.61	−0.91	–
European Fd	171.28	180.30	−0.43	–
North American Fd	151.62	159.60	−1.15	–
Pacific Fd	123.11	129.59	−1.06	–
Property Fd	155.79	163.99	+0.08	–
Fixed Int Fd	107.67	113.34	+0.20	–
Intl Bond Fd	114.14	120.15	+0.07	–
Bldg Soc Dep Fd	128.47	135.23	+0.16	–
Pensionmaster* & Unit-Linked Plus*				
Mixed Fund	408.6	430.1	+8.1	–
Ordinary Share Fund	612.8	645.1	+16.7	–
International Fund	167.3	176.1	+2.0	–
Property Fund	264.1	278.0	+0.4	–
Fixed Interest Fund	302.9	318.8	+4.5	–
Index-Linked Sec Fund	170.1	179.1	−0.4	–
Deposit Fund	229.5	241.6	+0.7	–
Norwich Units May 15	938.37		----	–

*Prices as at July 17

	Bid Price	Offer Price	+ or −	Yield Gross
Jersey Investment Plan				
With Profits Fund	100.40	105.68	+0.11	–
Intl Equity Fund	92.45	97.32	−0.79	–
Intl Bond Fund	95.25	100.27	−0.08	–

Pearl Assurance (Unit Funds) Ltd

Thorpe Wood, Peterborough PE3 6SA 0733 63212

	Bid Price	Offer Price	+ or −	Yield Gross
Prop. Dist. (Gross)	168.9	177.8	----	–
Prop. Acc. (Gross)	289.7	305.0	+0.1	–
Equity (Gross)	821.1	864.3	+0.2	–
Managed (Gross)	572.4	602.6	+0.5	–
Prop. Acc. (Net)	134.9	142.0	----	–
Equity (Net)	189.2	199.2	----	–
Managed (Net)	174.6	183.8	+0.2	–
Internat'nal (net)	166.1	174.9	−0.3	–
Gilt & Fxd Interest	105.3	110.9	+0.3	–
Money Fund	117.2	123.4	+0.1	–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	581.9	612.6	+0.2	–
Ret Man (Series 2)	197.4	207.8	+0.1	–
Ret Man (Series 3)	191.6	191.6	----	–
Ret Cash	157.8	166.1	+0.2	–
Ret Cash (Series 3)	131.1	131.1	+0.1	–

Pegasus Assurance Ltd

Providence Capital Life Assc. Co Ltd – Contd.

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

JERSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Three-Way Asset Allocation Funds

TWAA Fund I*	$105 60	105 62	----	-
TWAA Fund II*	$92.95	92.97	----	-

* Prices as at July 18

Tudor BVI Futures Ltd

NAV July 19.	$5453.12	-2.66	-

Tyndall International (Bermuda) Ltd

American Special Sits.	$47.44	49.82	-0.62	-
Capital Protection (z)	$10.69	11.23	----	-
Commodity	$25.52	26 80	----	-
Eurobond	$29 43	30.91	-0 04	-
Money (z)	$35.16	36.93	+0.02	6.84
Mortgage (z)	C$14.10	14.81	----	-
North American	$40.20	42.22	-0.22	-
Overseas	$30.25	31.76	+0 05	-
Pacific Gold	$4.12	4 34	+0.01	-
Tiger	$49.34	51.82	+0.09	-

Union-Investment-Gesellschaft GmbH

Unifonds	DM39.91	42.00	-0.10	-
Unirak	DM80.26	84.30	-0.30	-
Unirenta	DM35 83	36.90	-0 10	-

Warburg Inv Mngmt (Isle of Man) Ltd

Mercury 90:10 Trust (Sicav)

Dollar Fd BOPUPs	$10 29	10.30	----	-
Dollar Fd OPUPs	$9 90	9.97	----	-
Sterling Fd BOPUPs	£10.40	10.41	----	-
Sterling Fd OPUPs	£10.07	10 14	----	-
DM Fd BOPUPs	DM10.11	10.12	----	-
DM Fd OPUPs	DM9 61	9 68	----	-
Yen Fd BOPUPs	$7.95	7.96	----	-
Yen Fd OPUPs	$9.76	9.83	----	-

Wardley Investment Services Ltd

Wardley S E Asia Tst.	$14 40	15.13	+0 05	0.53
Japanese Warrants	$10.82	11 46	-0 32	-
Asian Warrants	$11.60	12.29	+0.24	-
European Warrants	$11.01	11.66	+0.17	-
Managed	HK$10.11	10.78	-0.03	-

Wells Fargo U.S. IT Fund

NAV July 20	$10 06	----	-

Xiphias International Investment Fd Ltd

Xiphias Int. USD	$1.0347	----	-
Xiphias Int. ECU	Ecu1.0241	----	-

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. o Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ‡‡ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ● Yield column shows annualised rates of NAV increase ad ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Nervous Wall St hits dollar

FALLING SHARE prices on Wall Street put the dollar under pressure yesterday. Lack of general economic news concentrated attention on Wall Street where the sharp fall in equity prices during early trading took the dollar down to a low of DM1.6245 and Y148.20.

The US currency was slightly above the day's lows at the London close and had held above support at DM1.6250 and Y148.00, but trading remained extremely nervous. It had fallen to DM1.6280 from DM1.6410; to Y148.45 from Y148.90; to SFr1.3880 from SFr1.4065; and to FFr5.4600 from FFr5.5050. The dollar's index declined to 65.3 from 65.6.

Confusion about US monetary policy has tended to compound the dollar's problems. The Federal Reserve appeared to ease its stance earlier this month by cutting the target rate for Federal funds, but minutes from recent Federal Open Market Committee meetings have suggested that several area boards remain concerned about inflation.

Sterling showed more reaction to the weakness of the dollar than to publication of the June UK trade figures. The move out of the dollar led to increased demand for the D-Mark, and a weakening of the pound against members of the European Monetary System exchange rate mechanism.

Earlier in the day the pound had been virtually unmoved by news that the UK current account deficit had widened to £1.355bn in June from £1.328bn. The figure was in line with market expectations and was regarded as mildly encouraging. Comparing the last three months with the previous quarter showed that exports had risen 4.0 per cent and imports by only 2.5 per cent.

Dealers also noted that the current account deficit of £4.281bn in the second quarter was the lowest since the third quarter of 1988, and that the last quarter showed an improvement of 8.5 per cent over the previous quarter. On the other hand it was suggested that the deficit of £9.024bn for the first six months of the year makes it unlikely that the Treasury's forecast of a £15bn deficit for the whole year will be met.

The pound touched a peak of DM2.9825 after the trade data and was little changed at around DM2.9750 in the early afternoon, but then weakened with the dollar to close at DM2.9650, compared with DM2.9775 on Friday. Sterling gained 70 points to $1.8215 against the weak dollar and rose slightly to Y270.50 from Y270.25, but fell to FFr9.9450 from FFr9.9900 and to SFr2.5275 from SFr2.5525. The pound's index fell 0.2 to 93.8.

The Spanish peseta remained around its ceiling against the weaker members of the EMS, but there did not appear to be any intervention by the Bank of Spain on the open market or at the Madrid fixing. The dollar fell to Pta99.75 at the London close, the first time the US currency has been below Pta100 since February 1982.

£ IN NEW YORK

July 23	Latest	Previous Close
£ Spot	1.8225-1.8235	1.8180-1.8190
1 month	1.14-1.13pm	1.04-1.03pm
3 months	3.00-2.98pm	3.02-3.00pm
12 months	9.85-9.70pm	9.95-9.85pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	July 23	Previous
8.30 am	94.0	94.0
9.00 am	94.0	94.1
10.00 am	93.9	94.0
11.00 am	94.0	94.0
Noon	94.0	94.0
1.00 pm	94.0	93.9
2.00 pm	93.8	94.0
3.00 pm	93.9	93.9
4.00 pm	93.8	94.0

CURRENCY RATES

July 23	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.740726	0.694899
U.S Dollar	7	1.34464	1.26402
Canadian $	13.32	1.55535	1.46058
Austrian Sch.	6½	15.5333	14.5641
Belgian Franc	10¼	45.4925	42.6671
Danish Krone	10½	8.39728	7.87738
Deutsche Mark	6.00	2.20723	2.06984
Neth.Guilder	7.00	2.48624	2.33149
French Franc	10¼	N/A	6.94011
Italian Lira	13½	1616.53	1515.56
Japanese Yen	5¼	199.141	188.213
Norway Krone	8	8.46585	7.94817
Spanish Peseta	-	135.190	126.756
Swedish Krona	11	7.98716	7.50450
Swiss Franc	6.00	1.89056	1.76837
Greek Drach.	20½	N/A	202.635
Irish Punt	-	N/A	0.771969

† European Commission Calculations.
* All SDR rates are for July 20

CURRENCY MOVEMENTS

July 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	93.8	N/A
U.S Dollar	65.3	N/A
Canadian Dollar	104.1	N/A
Austrian Schilling	109.3	N/A
Belgian Franc	110.9	N/A
Danish Krone	110.2	N/A
Deutsche Mark	118.1	N/A
Swiss Franc	112.9	N/A
Guilder	114.0	N/A
French Franc	104.4	N/A
Lira	101.4	N/A
Yen	122.4	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for July 20 .

OTHER CURRENCIES

Jul 23	£	$
Argentina	9589.95 - 9628.95	5220.00 - 5240.00
Australia	2.3220 - 2.3240	1.2770 - 1.2780
Brazil	120.00 - 121.11	66.00 - 66.60
Finland	6.9440 - 6.9570	3.8240 - 3.8270
Greece	288.75 - 293.40	158.75 - 160.30
Hong Kong	14.1075 - 14.1210	7.7625 - 7.7645
Iran	124.50*	68.20*
Korea(Sth)	1294.10 - 1314.95	712.80 - 718.40
Kuwait	0.52750 - 0.52890	0.29010 - 0.29070
[illegible]	[illegible]	[illegible]

* Selling rate

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 8¾-8⅝ per cent; three years 8¾-8⅝ per cent; four years 9-8⅞ per cent; five years 9-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.71-5.66cpm. 12 Month 9.92-9.82cpm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE CURRENCY OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

LONDON (LIFFE)

CHICAGO

[illegible]

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.8028	1.8040	1.7970	1.7974
Dec	1.7746	1.7746	1.7690	1.7694
Mar	-	1.7480	1.7450	1.7456

BASE LENDING RATES

[illegible]

MONEY MARKETS

Slightly better tone

REACTION WAS generally favourable to news of a slight widening in the June UK current account deficit. Short sterling futures showed no strong reaction, but moved up to close near the day's peak on Liffe. December delivery opened firmer at 86.19 and finished at 86.27, compared with 86.16 previously.

On the cash market three-month sterling interbank was quoted at 14⅞-14¾ per cent, against 14⅞-14¾ on Friday, while 12-month money eased to 14¾-14⅝ per cent from 14⅞-14¾.

UK clearing bank base lending rate 15 per cent from October 5

Day-to-day credit was in very short supply on the money market. The Bank of England initially forecast a shortage of £1,100m, but revised this to £1,250m at noon and to £1,300m in the afternoon. Total help of £1,314m was provided.

An early round of assistance was offered and at that time the authorities bought £48m bills outright, by way of £18m bank bills in band 1 at 14¾ per cent and £30m bank bills in band 2 at 14¾ per cent. Before lunch another £269m bills were purchased, via £1m Treasury bills in band 1 at 14¾ per cent; £12m bank bills in band 1 at 14¾ per cent; £12m Treasury bills in band 2 at 14¾ per cent; and £244m bank bills in band 2 at 14¾ per cent.

In the afternoon £617m bills were bought, through £219m bank bills in band 1 at 14¾ per cent; £252m Treasury bills in band 2 at 14¾ per cent; and £146m bank bills in band 2 at 14¾ per cent. Late assistance of around £380m was provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,301m, with Exchequer transactions absorbing £400m. These outweighed a fall in the note circulation adding £560m to liquidity and bank balances above target of £40m.

In Madrid short term money rates eased slightly after the Bank of Spain injected funds at an unchanged rate of 14.65 per cent, at yesterday's repurchase tender.

In Frankfurt call money was unchanged at 7.95 per cent, as banks continued to bid for funds to meet monthly reserve requirements. The Bundesbank has set an average requirement for the month of DM59.7bn. This is below the average of DM60.5bn held by banks during the first 19 days of July, but last Thursday reserve holdings fell sharply to DM54.8bn from DM61.4bn on Wednesday. Lombard borrowing remained high at an unchanged DM2bn on Friday.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 23) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 8	offer 8⅛

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

		Treasury Bills and Bonds			
Prime rate	10	One month	7.16	Three year	8.10
Broker loan rate	9¾	Two month	7.78	Four year	8.23
Fed.funds	7⅞	Three month	7.74	Five year	8.27
Fed.funds at intervention	-	Six month	7.79	Seven year	8.41
		One year	7.80	10-year	8.47
		Two year	8.05	30-year	8.52

July 23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.90-8.00	7.95-8.10	7.95-8.10	8.05-8.20	8.20-8.40	8.00
Paris	9⅝-10	9⅝-9¾	9⅝-9¾	9⅞-9⅞	9¾-10	9.50
Zurich	7⅞-8⅛	8⅛-9	-	8⅞-9	-	-
Amsterdam	7.87-8.00	8.01-8.11	-	8.16-8.26	-	-
Tokyo	7⅞-7⅞	7⅞-7⅞	-	7⅞-7⅞	-	-
Milan	11-11½	11¼-11¼	-	11¼-11⅞	-	-
Brussels	9.05	9⅜-9⅜	-	9⅜-9⅜	-	-
Dublin	10¾-11	10⅞-11⅛	10⅞-10⅞	10⅞-10⅞	10⅞-10⅞	-

LONDON MONEY RATES

Jul 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15⅜	15⅛	15	15	14⅞	14⅞
Interbank Bid	12	14⅞	14⅞	14⅞	14⅞	14⅝
Sterling CDs	-	-	14⅞	14⅞	14⅞	14⅝
Local Authority Deps.	15	14⅞	14⅞	14⅞	14⅞	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15⅛	14⅞	14⅞	14½	-	-
Company Deposits	-	-	14⅞	14⅞	14⅞	14½
Finance House Deposits	-	-	14⅞	14⅞	14⅞	14½
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	13⅞	-
Fine Trade Bills (Buy)	-	-	15⅛	14⅞	14⅞	-
Dollar CDs	-	-	8.05	8.07	8.10	8.22
SDR Linked Dep. Offer	-	-	8⅞	9	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8¾	8⅞	9	9⅛
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9¾	10	10⅛	10⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; six months 13¾ per cent; Bank Bills (sell): one-month 14⅝ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.3188 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day June 29 ,1990 . Agreed rates for period July 25,1990 to August 25 , 1990. Scheme I: 15.84 p.c., Schemes II & III: 16.25 p.c. Reference rate for period June 1,1990 to June 29 , 1990, Scheme IV&V 15.025 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from July 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent, three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

MERCURY INTERNATIONAL FREIGHT LIMITED

ROCKWOOD SECURE DISTRIBUTION LIMITED

WALFORD MEADOWS INTERNATIONAL LIMITED

THOMAS MEADOWS UNITED KINGDOM HOLDINGS LIMITED

[illegible]

COMPANY NOTICES

REPAP ENTERPRISES INC

US$200,000,000 FLOATING RATE NOTES DUE 1997

For the period 16th July 1990 to 16th October 1990, the Notes will carry an interest rate of 8.25% per annum. The amount payable per US$200,000 will be [illegible], payable on 16th October 1990.

AGENT BANK
BARCLAYS BANK PLC
STOCKEXCHANGE SERVICES DEPARTMENT
168 FENCHURCH STREET
LONDON EC3P 3HP

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ART GALLERIES

MICHAEL PARKIN GALLERY 11 Motcomb Street, (071) 235 8144. Claughton Pellew 1890-1966. A Norfolk Artist rediscovered until 24th August.

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

Clydesdale Bank PLC
30 St Vincent Place, Glasgow G1 2HL 041 248 7070

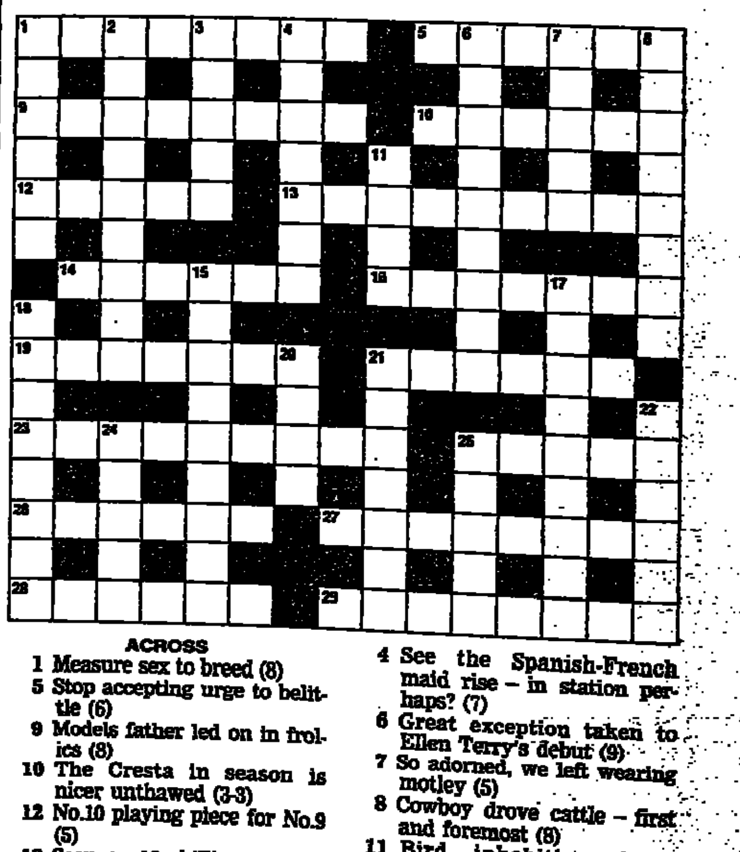
	Gross	Net	CAR	Int Cr
HICA £2,000-£9,999	12.2	9.52	13.15	Qtr
£10,000-£19,999	13.0	10.14	14.04	Qtr
£20,000-£49,999	13.2	10.30	14.27	Qtr
£50,000+	13.7	10.69	14.83	Qtr

NOTES–Gross rate to those exempt from composite rate of tax Net actual rate after deduction of CRT Gr Equiv CAR: Gross equivalent to basic rate taxpayers-compounded annual rate Int Cr frequency interest credited

JOTTER PAD

CROSSWORD

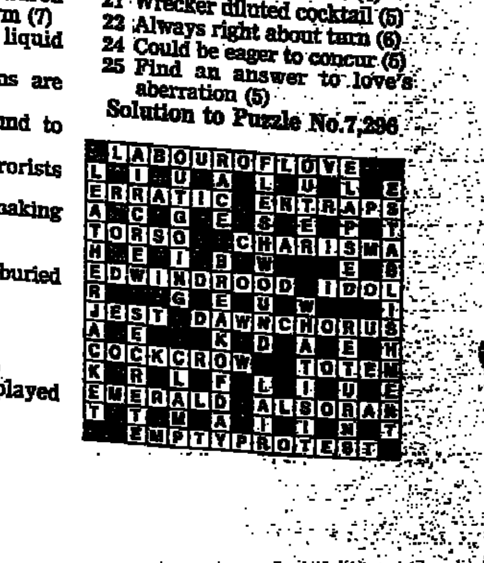
No.7,297 Set by FETTLER



ACROSS
1 Measure sex to breed (8)
5 Stop accepting urge to belittle (6)
9 Models father led on in frolics (8)
10 The Cresta in season is nicer unthawed (3-3)
12 No.10 playing piece for No.9 (5)
13 Seen on 10 shillings wager, we hear (3-6)
14 Duke doled out a piece of cake (6)
16 Orator has to reach maximum power in a short sermon (7)
19 What embellishes church record is in tablet form (7)
21 Many charge for a liquid preparation (6)
23 Better disposable cans are in fashion (9)
25 Cash in bank is bound to soothe (5)
26 Private captures terrorists operating illegally (6)
27 See dog side off – making (8)
28 Sober uniform (6)
29 Shroud, such as men buried in Crete adopted (8)

DOWN
1 Export and develop (6)
2 Kind of pendant displayed on a girdle (9)
3 Close time? (5)
4 See the Spanish-French maid rise – in station perhaps? (7)
6 Great exception taken to Ellen Terry's debut (9)
7 So adorned, we left wearing motley (5)
8 Cowboy drove cattle – first and foremost (8)
11 Bird inhabiting Caribbean islands? Yes and no (4)
15 Banked left (9)
17 One thousand currently shelve information (9)
18 Yes, I spot oddly illustrated statistics (8)
20 Lord Avon's paradise? (4)
21 Wrecker diluted cocktail (6)
22 Always right about turn (6)
24 Could be eager to converse (5)
25 Find an answer to love's aberration (5)

Solution to Puzzle No.7,296



WORLD STOCK MARKETS

AUSTRIA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | FRANCE | GERMANY | ITALY | NETHERLANDS | NORWAY | SPAIN | SWEDEN | SWITZERLAND | SOUTH AFRICA | JAPAN | AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE

CANADA

TORONTO
Closing prices July 23

MONTREAL
Closing prices July 23

INDICES

NEW YORK

DOW JONES | July 23 | July 20 | July 19 | July 18 | 1990 HIGH | 1990 LOW | Since compilation HIGH | Since compilation LOW

STANDARD AND POOR'S

					1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	355.31	361.61	365.32	364.22	368.95 (16/7)	322.98 (30/1)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	420.79	428.69	433.20	431.53	437.37 (16/7)	371.92 (30/1)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	28.05	28.51	28.83	29.02	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	194.22	197.65	199.38	198.83	201.13 (16/7)	178.43 (30/1)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	354.92	360.45	361.84	362.06	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	444.64	455.28	458.18	460.82	469.60 (16/7)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Jul 20	Jul 13	Jul 6	year ago (approx.)
Dow Industrial Div. Yield	3.64	3.62	3.71	3.47
	Jul 18	Jul 11	Jul 4	year ago (approx.)
S & P Industrial div. yield	2.87	2.90	2.92	3.17
S & P Indl. P/E ratio	17.29	17.13	17.00	12.85

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
McDonalds	4,214,900	33	- 3
Wal-Mart Stores	3,575,000	32½	- 1
Philip Morris	3,295,700	49	- 1⅛
Gen Electric	3,294,600	72½	- 1½
Boeing	2,528,800	56	- 2
Baxter Intl	2,297,500	26	- ⅜
Exxon	12,160,500	47⅞	- ¾
Chase Manhattan	2,154,500	20	- ¼
IBM	2,143,300	115⅞	- 1¼
Upjohn	2,131,200	41¼	- 1⅞

TRADING ACTIVITY

† Volume	Millions July 23	July 20	July 19
New York	209.030	180.547	161.990
Amex	14.135	10.265	11.498
NASDAQ	(a)	174.577	182.563
Issues Traded	2,016	1,995	1,991
Rises	225	577	612
Falls	1,409	904	853
Unchanged	382	514	526
New Highs	13	51	31
New Lows	122	42	48

CANADA

TORONTO	July 23	July 20	July 19	July 18	1990 HIGH	1990 LOW
Metals & Minerals	3285.00	3310.92	3307.86	3296.25	3453.05 (4/1)	2850.80 (23/4)
Composite	3548.20	3577.68	3574.94	3580.80	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1852.48	1868.96	1866.43	1865.04	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

TAIWAN** Weighted Price (30/6/66)	4991.42	5194.39	5013.05	4777.84	12495.34 (10/2)	4524.55 (5/7)
THAILAND Bangkok SET (30/4/75)	1133.54	1131.44	1107.68	1095.28	1133.54 (23/7)	760.39 (7/2)
WORLD M.S. Capital Intl (1/1/70)	(u)	532.9	538.1	538.7	571.0 (4/1)	468.3 (2/4)

**Saturday July 21: Taiwan Weighted Price: 5299.56. Korea Comp Ex. 686.69
& Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed, (u) Unavailable.

TOKYO - Most Active Stocks
Monday July 23 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Heavy Ind	9.9m	759	+28	NKK	3.6m	551	-24
Hitachi	6.0m	1,430	-30	Ajinomoto	3.5m	2,400	-60
Nippon Steel	4.7m	546	-4	Honshu Paper	2.9m	3,410	+20
Nippon Oil	4.6m	1,440	-40	Sumitomo Metal	2.8m	526	-18
Mitsui Mng&Sml	4.6m	828	-9	MHI	2.7m	981	-10

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. . . EINDHOVEN
with KLM, NLM
FINANCIAL TIMES
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AMEX COMPOSITE PRICES

4pm prices July 23

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
ATT Fd2.43e			170	62¾	50¾	51⅛	-1¼
Cross	1.24	15	247	30½	30⅛	30⅛	- ⅛
CrnCP	.80a	16	509	33½	33	33	- ¼
InsSy pf.25e			1	2⅜	2⅜	2⅜	
IntgSy			43	2¼	2	2⅛	+ ⅛
ProCom			37	3¼	3¼	3¼	- ⅛
Prism		10	10	3⅛	3⅛	3⅛	

4pm prices July 23

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
37½	19	AAR	.48	2.2	13	245	22¾	21⅛	21½	-1½
9⅜	8	ACM n	1.01	12.		130	8⅝	8½	8½	-⅛
11⅝	9⅜	ACMIn	1.26	12.		1036	10¼	10	10¼	
9⅜	7¼	ACM M	m1.01	13.		133	8⅛	8	8	-⅛
12⅛	10	ACMMM				83	11⅛	11¼	11⅛	
11½	9⅜	ACM Sp	1.25	13.		1022	10⅛	9⅞	9⅞	-⅛
9⅜	8⅛	ACMSp	1.01	12.		779	8⅜	8⅛	8⅛	
24⅜	14⅜	AL Lab	.16	.7	20	201	22½	22	22	-½
5⅜	2⅛	AM Ind				839	2½	2⅜	2½	
23⅛	10⅜	AM In pf	2	16.		17	12⅞	12½	12½	-⅛
107¼	52½	AMR			13	6402	59½	55⅞	58½	-1⅜
24¾	22¾	ANR pf	2.12	8.7		6	24⅜	24⅛	24⅛	-⅜
4⅜	3	ARX				184	3¼	3⅛	3⅛	-⅛
72⅞	41⅜	ASA	3a	6.5		1092	47⅛	46⅛	46½	+¾
45⅝	30⅜	AbtLab	s.84	1.9	21	9805	44⅛	41⅞	43⅝	-⅜
18½	11¼	Abitibi g	.50			16	13⅛	13⅛	13⅛	-⅛
12⅛	7½	AcmeC	.40	5.7	8	228	7⅜	d 7	7	-⅝
9⅜	7⅜	AcmeE	.32	3.8	10	33	8⅝	8½	8½	
49⅛	28⅜	Acuson			27	1622	47½	45⅜	46	-2⅜
18⅞	14⅛	AdaEx	2.05e	13.		98	16⅜	16⅛	16¼	
15⅜	10	Adobe				170	11⅝	11½	11⅝	+⅛
20¼	18	Adob pf	1.84	9.8		13	18⅞	18⅜	18⅜	-⅛
21⅝	20⅛	Adob pf	2.40	12.		10	20½	20½	20½	
11⅞	6⅞	AMD			15	7060	7¼	6⅞	7⅛	-⅛
32½	28⅛	AMD pf	3	10.		34	29½	28½	29	+⅝

Continued on Page 45

NYSE COMPOSITE PRICES

Continued from previous Page

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NASDAQ NATIONAL MARKET

3pm prices July 23

[illegible]

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AMERICA

Dow plunges after poor McDonald's results

Wall Street

A COMBINATION of weak earnings reports and concern about the US economy sent the stock market into freefall yesterday, with the Dow Jones Industrial Average plunging more than 100 points before recovering about half the loss by the close, *writes Janet Bush in New York*.

The Dow recorded a net drop of 56.44 at 2,904.70, which followed last Friday's retreat of 32.67. Trading volume on the NYSE was a heavy 209m shares.

The blue chip index came under pressure as soon as the market opened and had weakened 55 points by 10.30am. The fall then accelerated as futures-related programme selling kicked in and a further 50 points were surrendered in the next 15 minutes. It took another quarter of an hour for it to recoup half of its loss, and then the index started a gradual slide before rallying again in the late afternoon.

The most worrying part about yesterday's selling was that the broad market did not share in the recovery staged by the Dow. The broad-based Standard & Poor's 500 index was quoted at its worst level of the session at the close, down 8.31 at 353.30, and the Nasdaq composite index ended 10.63 off at 444.64, near to its low for the day.

This is true to the form of most of this year when the Dow has significantly outperformed the broad market. This became even more marked last week when the Dow hovered just below the historic 3,000 level but other indices weakened.

By the end of last week, the Value Line composite index was at its lowest since late June and the Nasdaq composite at its worst since late May. The Dow Jones Utilities Average, regarded as a good technical indicator of the overall health of the market, has been performing very badly lately.

A major trigger of yesterday's sharp decline was the disappointing earnings report from McDonald's, a stock associated with steady earnings. McDonald's, which had a delayed opening, was quoted $4 lower at one point before recovering a little. It closed $2¾ down at $32¾.

Among other blue chips, IBM stood 1⅜ lower at $115⅛, Philip Morris dropped $1¼ to $48⅞, Merck fell $1⅞ to $88⅞ and General Motors lost $1⅛ to $45¾.

Sallie Mae, a favourite stock, weakened $4⅛ to $49⅞ on a report that Higher Education Assistance Foundation, the largest guarantor of student loans in the US, may be on the brink of bankruptcy. Sallie Mae is one of its largest creditors.

Federal National Mortgage Association (Fannie Mae) declined $⅞ to $39⅞ and Federal Home Loan Mortgage fell $3⅛ to $76⅝. Both are companies chartered by Congress to provide liquidity to the housing market, doing the same job for housing as Sallie Mae does for student loans.

Among the very few rises was Kansas Gas & Electric, up $4⅞ to $24⅞ on news that Kansas City Power & Light had launched a $27 a share bid for the company.

The precious metals sector benefited from its popularity in times of uncertainty. Newmont Gold put on $2⅛ to $48⅞.

Technology stocks, which have dropped sharply recently on earnings disappointments, were markedly lower.

The recent clutch of corporate earnings reports have clearly been disappointing and come against a background of increasing concern about the economy. There have been several reports recently of recession conditions in many of the states. Although Mr Alan Greenspan, the Federal Reserve chairman, said that the decision a week ago to lower interest rates a notch did not reflect the real economy but a credit contraction by commercial banks. Financial markets are concerned that he is indeed worried about recession.

Canada

THE TORONTO market mirrored New York's weakness, although activity remained slow.

The composite index, which had been down about 40 points during the morning, ended 29.5 off on the day at 3,548.2. Falls outpaced gains by 435 to 158 after a turnover of 20.5m shares, up from Friday's 18.1m.

A jump in the New York bullion price lifted gold shares against the trend, the sub-section index rising 82.4 to 6,333.0.

ASIA PACIFIC

Nikkei falls below 32,000 on continuing rate fears

Tokyo

SHARE PRICES took another beating yesterday as interest rate worries and continued arbitrage activity depressed the market. The Nikkei average fell more than 500 points to below the 32,000 level for the first time since late June, *writes Michiyo Nakamoto in Tokyo*.

Following Friday's weakness, the market opened the week on a downward course with the Nikkei average closing near its low for the day at 31,894.79, down 526.73. The Nikkei's fall below 32,000 comes just one trading day after it slipped under 33,000 with a drop of more than 600 points on Friday. During the day, the Nikkei hit a low of 31,781.59 and a high of 32,421.12.

Declines far outweighed rises by 698 to 188, and 208 issues were unchanged. Turnover came to a paltry 300m shares, against Friday's 500m. The Topix index of all listed stocks dropped 33.51 to 2,329.92. In London, the ISE/Nikkei 50 index fell 4.15 to 1,736.22.

The Bank of Japan has denied rumours of an imminent increase in the official discount rate but, nevertheless, investors took the central bank's move to drain reserves from the money market on Friday as a signal that its tight monetary stance would continue.

Speculation about higher interest rates remained in spite of a fresh injection of funds into the money market by the Bank of Japan on Monday morning. Meanwhile, there were also rumours that leading domestic banks might raise their long-term prime lending rate as early as this week.

Selling hit issues sensitive to interest rates, including large-capital stocks dependent on domestic demand. Nippon Steel lost Y4 to Y546 in active trading of 4.7m shares. NKK declined a sharp Y24 to Y551 and Mitsubishi Heavy Industries eased Y10 to Y961.

Nippon Telegraph and Telephone, the telecommunications giant, tumbled to an all-time low of Y1.04m. There was widespread concern that a fall in the NTT share price to below Y1m would spark a sell-off across the board. Higher interest rates made NTT less attractive as it has a low yield, poor earnings prospects and does not offer any shelter against a tight money supply policy, said Mr John Courtney at WI Carr.

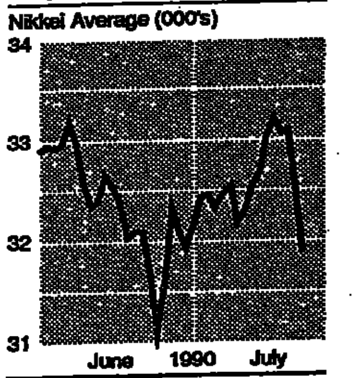
Issues with special incentives held on to their gains. Fuji Heavy Industries topped the actives list with 9.9m shares and gained Y28 to Y759 on speculation that the company would win an order to make car bodies for the linear motor car. Rumours that speculators were targeting the issue also encouraged buying.

The arrest last week of a well-known stock market speculator triggered a sell-off in some related stocks, but did not appear to have dampened all interest in speculative issues. Honshu Paper, for example, added Y20 at Y3,410 in active trading.

In Osaka, selling across the board took the OSE average down 460.94 to 36,038.72 in thin trading, with volume at 27m shares against Friday's 37m.

Japan

Nikkei Average (000's)



Roundup

THE PRESSURE remained heavy on South Korea and Taiwan yesterday, and the only rising market on the Pacific Rim was Hong Kong.

SEOUL fell to its lowest level since late-1986 on fears of growing political unrest after the Opposition resigned. The composite index lost 5.31 to 681.38 in thin volume of 3.4m shares, or Won49.5bn. The Government is doubling the size of the stock market stabilisation fund to create more buying forces in the market. The fund, capitalised at about Won2.8trn, will be raised to Won4trn by September.

TAIWAN lost heavily as late profit-taking in smaller stocks sent the market into a tailspin. Investor confidence was shaken further by news that the stock exchange had ordered a third securities broker to close. The weighted index finished at 4,991.42, down 308.14. Volume totalled about 1.79bn shares worth NT$30.16bn, down from 1.1bn shares or NT$56.44bn.

HONG KONG continued to forge ahead as early softness gave way to brisk afternoon buying. The Hang Seng index climbed 19.46 to 3,559.89, its second consecutive post-1987 crash high. Turnover swelled to HK$2.62bn, the second heaviest this year, from HK$2.33bn. HongKong and Shanghai Banking, however, fell 15 cents to HK$6.20 following Friday's release of poor second-quarter results at Marine Midland Bank, its US unit.

NEW ZEALAND fell in thin trading ahead of today's Budget. A sharp rise in the domestic dollar against the Australian currency hurt dual-listed shares. The Barclays index dropped 10.57 to 1,878.99. Turnover shrank to 4m shares or NZ$7m from 12m shares or NZ$28m. Carter Holt Harvey was one of the few leaders to rise, adding 6 cents at NZ$3.08.

AUSTRALIA was dulled by weaker markets in the US on Friday and Tokyo on Monday. The All Ordinaries index closed 3.1 lower at 1,586.4. Investors were staying on the sidelines until Friday's balance-of-payments data. Turnover totalled 61m shares or A$150m, down from last Friday's 85m or A$188m.

SINGAPORE ended mixed after thin trading affected by a holiday in Malaysia. Prices came under pressure in late morning as losses in Tokyo mounted, but recovered on late afternoon bargain hunting. The Straits Times Industrial index gained 2.83 to 1,565.38. Volume dropped to 49m shares or S$122m from 77m or S$161m.

MANILA eased in light turnover as investors waited for the Government's estimates of the damage caused by last week's earthquake. The composite index shed 1.08 to 882.18.

EUROPE

New York sends shivers through Continent

THE DOW's early plunge in New York yesterday dragged share prices lower towards the close of trading or after hours in Europe. Most markets had already opened weak after Wall Street's fall on Friday, *writes Our Markets Staff*. Brussels was closed.

PARIS responded to Wall Street's early 100-point fall on the Dow by making a rapid retreat. Before the Dow's drop, the market had been modestly lower on profit-taking on the last day of the July account.

The CAC 40 index, which had been about 12 to 14 points down for most of the day, closed 40.56 or 2 per cent lower at 1,990.04, after recovering from 1,970.27. Turnover was estimated at FFr2.6bn after Friday's FFr3.2bn.

Activity picked up as Wall Street began to plunge; volume in Lafarge Coppée, for example, which had been about 120,000 shares one hour before the market closed, grew to 184,030 shares. The stock lost FFr12.90 to FFr477 after Friday's poor second-quarter results from Lafarge Corp, its US subsidiary.

Among the most active stocks, Suez lost FFr12.50 to FFr422, Paribas shed FFr15 to FFr618 and Société Générale dropped FFr19 to FFr550.

Bouygues, the construction group, recovered from a low of FFr602 to close unchanged at FFr624. It said that it expected approval for its plan to form a private motorway company.

FRANKFURT was disappointed with Siemens' nine-month results, which showed a 4.6 per cent rise in group net profit. One dealer said the market should have been ready for uninspiring figures, having been warned by the company in late May that earnings growth would slow down in the second half. Siemens fell DM9.70 to DM767.10 with 642,582 shares traded.

Siemens' slower earnings growth weighed on the market, because it followed a downturn in earnings in the chemicals industry and disappointing earnings from the utilities sector, in spite of a boost from the corporate tax reform. The DAX closed 9.39 lower at 1,938.04 while the FAZ, calculated at midsession, fell 1.52 to 825.01. Wall Street's fall caused share prices to fall further after hours. Volume slipped to DM5.3bn from DM7.5bn.

Daimler was one of the few stocks to buck the trend following a comparative study in Aktienbörse, a Düsseldorf-based newsletter, which showed the German car manufacturer to be undervalued compared with US competitors such as General Motors. Daimler added DM8.50 to DM839 and was the most traded stock with 636,652 shares changing hands.

Asko, the retailer, tumbled DM27 to DM926 as speculators made an exodus following Friday's news that Massa had sold its 10 per cent stake in the company to the UK's Lonrho.

Commerzbank, which became the first foreign company to have its shares listed in Madrid and Barcelona, dropped DM4.70 to DM297.

Allianz, the insurer, slipped DM25 to DM2,995 after a report in a West German newspaper at the weekend that the joint venture set up between Allianz and East Germany's state insurer would cost taxpayers about DM6bn over 20 years.

ZURICH was dragged lower at the close by Wall Street's early plunge. The Crédit Suisse index fell 8.1 to 668.8. Bearer shares of Union Bank, which saw its parent company's earnings recover in the second quarter – although not enough to offset the shortfall carried over from the first three months of this year – lost SFr60 to SFr3,810.

AMSTERDAM tumbled at the close in nervous trading as Wall Street's fall gained momentum. The market had opened lower, following Friday's weakness on Wall Street and a decline in the dollar, which weighed on blue chips. The CBS Tendency index fell 1.3 to 120.9, its low for the day.

Unilever shed Fl 2.60 to Fl 160.30 while Royal Dutch was off Fl 2 at Fl 147.60.

MADRID fell below 300 on the general index as the Dow extended Friday's losses yesterday. The index lost 5.19 to 299.98. Companies that also have ADRs listed in New York were among the hardest hit: Telefónica dropped Pta25 to Pta945 in active trading of 2.4m shares and Repsol shed Pta95 to Pta2,700. First-half results showing a 23.4 per cent rise in pre-tax profits at Telefónica were as expected.

MILAN was hurt by weakness in the US and Tokyo markets and by renewed concerns that Lombardfin, the troubled broker, would have to offload more stock on to the market to meet margin calls on part of its 30 per cent holding in PAF, the financial holding company of the Varasi family. The Comit index fell 8.39 to 737.06 in thin volume estimated at about half Friday's level of L235bn.

Among market leaders, Fiat ordinary shares fell L166 to L8,899 and Generali slipped L730 to L42,470. Pirelli, whose Dutch-based tyre subsidiary gave a profit warning last week, lost L110 to L2,332.

STOCKHOLM followed Wall Street and Tokyo lower. The Affärsvärlden General index dropped 4.0 to 1,315.6. Banking shares were actively traded; more than 10 per cent of Monday's turnover was in Handelsbanken A shares. The stock lost SKr3 to SKr140.

SOUTH AFRICA

A RISE in the gold price to $366 an ounce lifted shares but investors were cautious before next month's talks between the Government and the ANC. The JSE Gold index rose 31 to 1,532 while the overall index added 41 to 3,086.

US and Japan mar global showing

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1990	Start of 1990	Start of 1990
Austria	+1.69	+7.93	+93.19	+47.53	+35.02	+51.94
Belgium	+1.53	+1.33	−0.22	−4.93	−11.14	−0.01
Denmark	+2.28	+2.23	+8.78	+6.41	−0.13	+12.39
Finland	−0.22	−4.29	−13.78	−4.20	−10.36	+0.86
France	+1.01	−0.54	+9.99	−1.29	−7.81	+3.74
W. Germany	+1.36	+4.91	+28.89	+10.97	+1.64	+14.38
Ireland	+1.39	−1.07	+10.95	−0.18	−6.80	+4.87
Italy	+1.43	−1.68	+2.61	+3.57	−2.86	+9.31
Netherlands	+0.79	+2.12	+0.70	−1.18	−9.18	+2.19
Norway	+0.38	+4.39	+19.26	+19.85	+11.67	+25.66
Spain	+0.05	+6.89	+0.96	+2.33	−1.05	+11.34
Sweden	−0.66	+2.65	+18.07	+14.81	+6.41	+19.74
Switzerland	−1.69	+1.29	+6.98	+3.54	+0.90	+13.54
UK	+0.72	+0.41	+2.06	−1.78	−1.78	+10.52
EUROPE	+0.76	+1.47	+7.89	+1.92	−2.28	+9.97
Australia	+0.05	+5.82	+3.61	−0.75	−12.58	−1.63
Hong Kong	+1.44	+8.91	+37.96	+24.55	+11.23	+25.17
Japan	−0.29	+0.26	−10.98	−20.66	−31.93	−23.40
Malaysia	+2.21	+8.71	+32.65	+9.33	−3.13	+9.01
New Zealand	−0.10	+5.43	+2.40	−2.62	−13.50	−2.66
Singapore	−0.66	−1.08	+13.73	+11.25	+3.38	+16.33
Canada	−0.15	+1.97	−6.49	−7.91	−18.02	−7.75
USA	−1.56	+1.52	+7.47	+2.08	−9.26	+2.06
Mexico	+4.94	+7.47	+137.96	+80.15	+49.87	+68.64
South Africa	−0.66	+4.65	+15.88	+1.54	−19.03	−8.89
WORLD INDEX	−0.42	+1.25	+0.43	−7.21	−17.20	−6.82

† Based on July 20th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By Jacqueline Moore

DECLINES IN the US and Japan held back the overall performance of world markets last week, but most countries showed modest gains.

The US, which had scored record highs on the Dow Jones Industrial Average the previous week, was one of last week's worst performers, losing 1.6 per cent in local currency terms. Disappointment over interest rates, poor second-quarter results – particularly from technology companies – and a stronger-than-expected rise in inflation were among the causes.

There were bright spots elsewhere, however, especially in Europe, where most leading bourses advanced: West Germany and Italy rose 1.4 per cent in local money terms and France added 1 per cent. Switzerland was the exception, dropping 1.7 per cent as investors responded to the market's recent gains by taking profits.

The best European performer was Denmark, which rose 2.3 per cent on good inflation figures early in the week, demand for individual stocks and a rising domestic bond market. Several favourites with international investors were strong, says Mr Stephen Swift of Citicorp. These included trading group East Asiatic, up 8.2 per cent on the week, pharmaceutical company Novo Nordisk, up 5.1 per cent, and Sophus Berendsen, which rose 4.6 per cent. Sophus benefits from the strength of sterling through its majority shareholding in UK pest controller Rentokil.

The biggest gain of the week, once again, was in Mexico, which has been rising on optimism about plans to privatise 18 banks. The next best improvement, after Denmark, was by Malaysia, where the Kuala Lumpur composite index hit record highs at the start of the week. Blue chips and laggards were in demand from foreign funds, says Mr Ruary Neill of Schroders, although price rises were exaggerated by low volumes caused by shortage of stock. Among the winners were industrial, property-related and financial stocks, he says.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JULY 23 1990								FRIDAY JULY 20 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (80)	148.54	−0.2	120.90	139.39	125.73	126.21	−0.2	5.52	148.91	121.67	140.15	127.04	126.47	158.31	125.85	138.51
Austria (19)	282.74	+2.1	230.13	265.32	239.31	239.21	+1.4	1.21	276.83	226.19	260.56	236.18	235.94	285.63	193.15	124.80
Belgium (61)	156.27	+1.0	127.20	146.63	132.26	129.10	+0.0	4.49	154.66	126.37	145.55	131.94	129.10	160.02	132.11	129.10
Canada (119)	139.26	−0.8	113.35	130.67	117.86	116.67	−0.8	3.48	140.39	114.71	132.13	119.76	117.56	153.61	130.37	146.22
Denmark (33)	272.98	+0.3	222.19	256.16	231.05	230.19	−0.2	1.25	272.22	222.43	256.22	232.25	230.66	272.98	236.69	206.98
Finland (26)	135.59	+0.8	110.36	127.24	114.76	108.86	+0.5	2.52	134.45	109.86	126.55	114.71	108.34	152.29	129.99	141.22
France (124)	160.07	−1.1	130.29	150.20	135.47	137.09	−1.9	2.99	161.86	132.25	152.33	138.08	139.77	168.85	141.69	125.88
West Germany (92)	142.33	+0.6	115.85	133.58	120.47	120.47	−0.2	1.87	141.51	115.62	133.21	120.73	120.73	142.33	122.05	94.80
Hong Kong (48)	147.49	+0.6	120.05	138.40	124.84	147.00	+0.6	4.27	146.61	119.79	137.99	125.09	146.18	147.49	112.24	102.88
Ireland (17)	189.29	−0.6	154.07	177.62	160.21	181.84	−1.5	2.71	190.38	155.56	179.19	162.42	164.37	198.57	172.72	146.46
Italy (95)	107.14	−0.4	87.21	100.53	90.68	95.36	−1.2	2.46	107.59	87.91	101.26	91.79	96.56	109.26	91.85	88.88
Japan (454)	149.51	−1.1	121.69	140.30	126.56	140.30	−1.4	0.80	151.21	123.55	142.32	129.02	142.32	197.26	124.40	179.48
Malaysia (35)	249.85	+0.1	203.36	234.44	211.47	260.24	+0.0	2.08	249.67	204.00	234.98	213.00	260.24	250.89	204.15	188.20
Mexico (13)	557.35	+1.5	453.65	523.01	471.74	1751.67	+1.6	0.30	548.87	448.48	516.61	468.27	1724.41	557.35	324.53	264.98
Netherland (43)	146.22	−0.6	119.02	137.21	123.76	122.33	−1.4	4.61	147.04	120.15	138.40	125.45	124.02	147.04	130.43	124.82
New Zealand (17)	69.80	−0.5	56.82	65.51	59.08	62.31	−0.7	7.04	70.17	57.33	66.05	59.87	62.75	75.36	59.57	66.75
Norway (23)	253.03	+0.8	205.95	237.44	214.17	215.25	+0.4	1.47	251.13	205.20	236.38	214.26	214.40	253.03	202.34	189.02
Singapore (25)	206.81	+0.3	168.33	194.07	175.04	172.74	+0.1	2.09	206.14	168.43	194.03	175.87	172.61	209.24	179.70	165.94
South Africa (60)	182.45	+1.9	148.51	171.21	154.42	156.71	+1.5	3.79	179.06	146.31	168.53	152.76	154.41	251.39	170.00	146.43
Spain (42)	179.52	−1.1	146.12	168.47	151.95	135.66	−1.9	4.05	181.57	148.36	170.90	154.91	138.31	182.25	132.84	150.83
Sweden (34)	230.01	+0.0	187.21	215.84	194.68	201.23	−0.4	2.01	229.96	187.89	216.44	196.19	202.13	232.74	173.89	177.68
Switzerland (68)	106.87	+0.1	86.99	100.29	90.46	91.96	−1.3	2.25	106.81	87.27	100.54	91.13	93.13	109.77	88.75	86.36
United Kingdom (303)	173.37	−1.2	141.11	162.67	146.73	141.11	−1.5	4.83	175.40	143.32	165.08	149.63	143.32	176.18	139.87	151.16
USA (539)	143.41	−1.8	116.73	134.58	121.39	143.41	−1.8	3.39	146.03	119.32	137.46	124.59	146.03	148.95	130.61	135.84
Europe (981)	155.71	−0.5	126.74	146.12	131.80	129.23	−1.2	3.56	156.57	127.93	147.37	133.58	130.81	156.66	135.57	125.76
Nordic (116)	218.32	+0.2	177.70	204.87	184.78	180.04	−0.2	1.68	217.78	177.95	204.98	185.80	180.42	218.32	185.01	170.07
Pacific Basin (659)	149.26	−1.0	121.49	140.07	126.34	139.72	−1.3	0.92	150.82	123.23	141.96	128.68	141.57	192.75	124.63	175.04
Euro − Pacific (1640)	152.29	−0.8	123.95	142.89	128.89	136.12	−1.3	2.02	153.56	125.47	144.53	131.01	137.87	174.18	130.35	156.44
North America (658)	143.07	−1.7	116.45	134.26	121.11	141.65	−1.7	3.40	145.59	118.96	137.05	124.23	144.15	148.43	131.02	136.37
Europe Ex. UK (678)	143.53	−0.1	116.83	134.71	121.51	121.68	−1.0	2.73	143.74	117.45	135.32	122.66	122.90	143.74	124.81	109.73
Pacific Ex. Japan (205)	145.47	+0.1	118.40	136.53	123.14	129.40	+0.1	4.75	145.36	118.77	136.83	124.02	129.33	146.72	122.58	121.82
World Ex. US (1832)	152.36	−0.8	124.03	143.00	128.98	136.08	−1.2	2.08	153.60	125.51	144.59	131.05	137.75	173.77	131.30	155.10
World Ex. UK (2068)	145.62	−1.1	118.53	136.66	123.27	138.12	−1.4	2.25	147.28	120.34	138.64	125.67	140.08	162.00	130.80	146.81
World Ex. So. Af. (2311)	147.87	−1.2	120.36	138.77	125.17	138.24	−1.4	2.51	149.60	122.23	140.82	127.64	140.25	161.84	131.95	147.20
World Ex. Japan (1917)	148.82	−1.1	121.13	139.66	125.98	137.56	−1.4	3.52	150.53	123.00	141.70	128.45	139.52	151.59	134.62	132.02
The World Index (2371)	148.08	−1.1	120.53	138.98	125.35	138.37	−1.4	2.52	149.78	122.38	140.98	127.79	140.35	162.05	132.25	147.19

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Constituent change 23/7/90: Name change: Zung Fu to Jardine Intl. Motor (Hong Kong). Markets closed July 23: Belgium and Malaysia.

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